

Report to Council

Sunnyvale Amended and Restated Plan

Sunnyvale Central Core Redevelopment Project Area

October 2005

Prepared by

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I. Introduction

The City of Sunnyvale and the Sunnyvale Redevelopment Agency (the “Agency”) are considering a Redevelopment Plan Amendment to increase the limit on tax increment collection for the Sunnyvale Central Core Redevelopment Plan. The Sunnyvale City Council originally adopted the Redevelopment Plan (the “Plan”) for the Sunnyvale Central Core Redevelopment Project (the “Project”) on November 26, 1975. The Plan has been amended six times subsequent to its adoption for the purpose of establishing and modifying various fiscal and time limits.

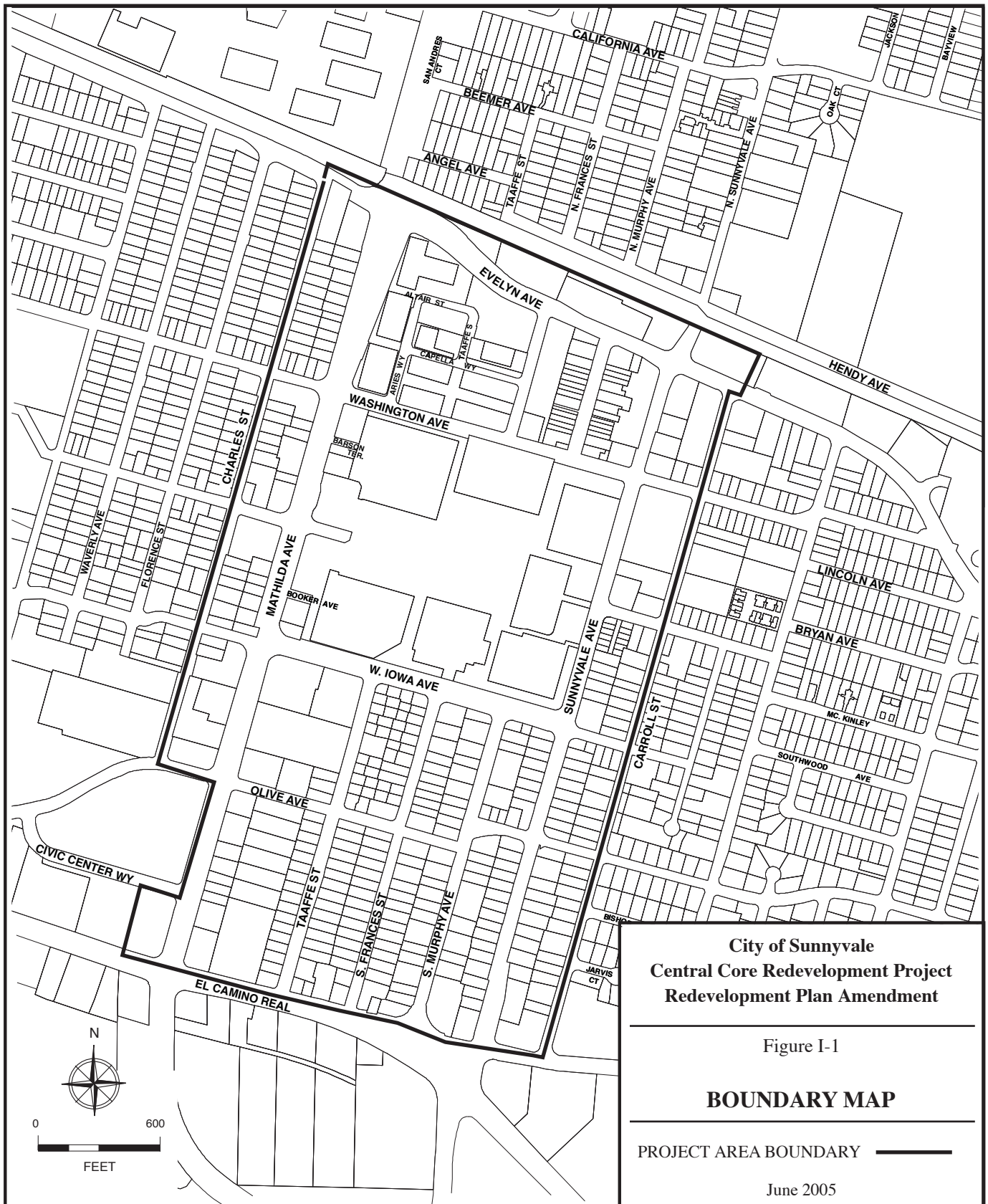
The Agency has prepared an Amended and Restated Plan (“Amended Plan”) for the Sunnyvale Central Core Redevelopment Project for consideration by the City Council. If adopted by the City Council, the Amended Plan will provide the Agency with additional financial resources to alleviate remaining blighting conditions and complete eligible project activities in the Sunnyvale Central Core Redevelopment Project Area (“Project Area”). The Project Area consists of approximately 184 acres in downtown Sunnyvale, including the Central Business District. The Project Area is located generally between the Southern Pacific Railroad Right of Way, Charles Street, El Camino Real, and Carroll Street. Figure I-1 shows the boundary of the Project Area.

This Amended Plan is proposed for two primary reasons:

- While progress has been made in revitalizing the Project Area, portions of the Project Area continue to suffer from economic and physical blighting conditions that impair revitalization.
- The Amended Plan will provide additional tax increment funds for redevelopment projects and activities needed to alleviate remaining blighting conditions.

This document serves as the Report to Council on the Amended Plan, as required by Section 33344.5 of the California Community Redevelopment Law (CRL), a part of the California Health and Safety Code.¹ The Report to Council is an integral step in the process of consideration of the proposed Amended Plan. The Report is a public document designed to provide comprehensive information to the City Council, Planning Commission, and taxing entities affected by the proposed Amended Plan. It must present the reasons for amending the plan, the blighting conditions within the Project Area, redevelopment projects and activities, method of financing and financial feasibility. It also must document the Agency’s adherence to the legal requirements for amending the Plan.

¹ The California Community Redevelopment Law is contained in Part I of Division 24, Community Development and Housing, of the Health and Safety Code beginning at Section 33000. All further statutory references are to the Health and Safety Code unless otherwise noted.



A. Report Organization

This Report to Council:

- Documents the existing conditions in the Project Area.
- Describes the proposed Amended Redevelopment Program that is possible through the Amended Plan.
- Demonstrates the financial feasibility of the proposed Amended Plan.

Chapter I presents a general overview and background for the Amended Plan, summarizes the reasons for amending the Redevelopment Plan, describes the goals of the Amended Plan, and outlines the CRL requirements and process for amending the Redevelopment Plan.

Chapter II describes the existing conditions in the Project Area, summarizes redevelopment efforts to date, and indicates the portions of the Project Area that are no longer blighted and the portions still in need of redevelopment assistance.

Chapter III presents the proposed Amended Redevelopment Program for the Project Area and explains how the program will alleviate the identified remaining blighting conditions.

Chapter IV details the resources available to the Agency to accomplish the proposed program, describes tax increment financing in detail, estimates the potential tax increment revenues that the Amended Project will generate, and evaluates the financial feasibility of the Amended Plan.

Chapter V summarizes the Implementation Plan requirements and refers to Appendix G, which includes the Five Year Implementation Plan.

Chapter VI addresses the requirement for a plan for relocation of persons or businesses that may be displaced due to redevelopment.

Chapter VII addresses the requirement for an analysis of the Amended Preliminary Plan.

Chapter VIII addresses the requirement for a summary of the Planning Commission report and recommendations.

Chapter IX summarizes public review of the proposed Amended and Restated Plan.

Chapter X summarizes the environmental review.

Chapter XI addresses the requirement for an analysis of the Report of the County Fiscal Officer.

Chapter XII summarizes consultations with affected taxing agencies.

Chapter XIII discusses the requirement for a neighborhood impact report.

The appendices include supporting documentation and background information, as follows:

- Appendix A provides a list of sources used to prepare the Report to Council.
- Appendix B contains photographic documentation of the conditions in the existing Project Area.
- Appendix C contains supplemental documentation of blighting conditions.
- Appendix D includes documentation of building condition ratings.
- Appendix E includes supporting tables for the tax increment revenue projections.
- Appendix F presents the Agency staff report regarding the agreement with the developer of the Town Center Mall.
- Appendix G includes the Five Year Implementation Plan.
- Appendix H presents the Planning Commission resolution recommending adoption of the Amendment.
- Appendix I presents a copy of the Notice of the Public Hearing and Community Workshop to provide for public review and comment on the Amended Plan.
- Appendix J provides the Agency's summary notes from the community meeting.
- Appendix K presents the a record of the Agency's consultations with taxing entities.

This report has been prepared pursuant to the requirements of the CRL.

B. Description of the Amended Plan

The City Council adopted the Sunnyvale Central Core Redevelopment Plan by Ordinance No. 1796-75 on November 26, 1975. The Plan has been amended six times subsequent to its adoption for the purpose of establishing and modifying various fiscal and time limits.²

Under the existing Plan, the time limit for plan effectiveness is November 26, 2018 and the limit for the receipt of tax increment is November 26, 2028. The limit on the maximum amount of tax increment collection is \$118 million.

The proposed Amended Plan will make the following changes that pertain to the existing Plan:

- Increase the limit on tax increment collection to \$600 million.
- Enhance and augment the Redevelopment Program projects and activities that may be undertaken by the Agency to reflect current and anticipated redevelopment needs as appropriate.

Table I-1 provides a summary of the changes made by all the Plan Amendments to date as well as the changes proposed by this Amended Plan.

² The Plan was amended on January 6, 1987, by Ordinance No. 2200-87, for the purpose of establishing a limitation on the tax dollars allocated to the Agency, time limits on establishing loans, advances and indebtedness, and a time limit for eminent domain not to exceed 12 years. The Plan was subsequently amended on October 5, 1993, by Ordinance No. 2448-93 in order to modify land uses permitted in the area to make them consistent with the General Plan and the adopted Downtown Specific Plan, as well as preclude the use of eminent domain for home owner occupied residential property. It was later amended on December 20, 1994, by Ordinance No. 2493-94 to revise time limits in accordance with the amended CRL due to passage of AB 1290. It was further amended on January 13, 2004, by Ordinance No. 2742-04 which reinstated eminent domain on non-residential properties in the Project Area for an additional 8 years. The Plan was amended again on March 22, 2005 by Ordinance No. 2777-05 in order to increase the time limits by one year for plan effectiveness and tax increment collection, in accordance with the passage of SB 1045. Finally, the Plan was amended on September 27, 2005 by Ordinance No. 2792-05 to increase by two years each of the limits for plan effectiveness and tax increment collection, pursuant to SB 1096.

Table I-1
Summary of Sunnyvale Central Core Redevelopment Plan
Time and Fiscal Limits

	Current Plan	Proposed Amended Plan
Background Information		
Total Acres	184	
Date of Adoption	11/26/1975	
Time Limits		
Incurring Debt	01/01/2004	
Plan Effectiveness (Project Activities)	11/26/2018 ^a	
Tax Increment Collection	11/26/2028 ^a	
Eminent Domain	1/13/2012 ^b	
Fiscal Limits		
Tax Increment Cap	\$118 million	\$600 million
Bond Limit	None specified	

a. These time limits reflect the most recent amendment to the Plan which extended by an additional two years the time limit for plan effectiveness and tax increment collection by city ordinance as allowed by SB1096.

b. Only on non-residential properties in the Project Area.

Source: Sunnyvale Redevelopment Agency, City of Sunnyvale, Seifel Consulting Inc.

C. Reasons for Amending the Redevelopment Plan

The Amended Plan for the Sunnyvale Central Core Redevelopment Project is proposed for two primary reasons:

- While progress has been made in revitalizing the Project Area, portions of the Project Area continue to suffer from economic and physical blighting conditions that impair revitalization.
- The Amended Plan will provide additional tax increment funds for redevelopment projects and activities needed to alleviate remaining blighting conditions.

Many blighting conditions in the Project Area were identified at the time of adoption of the Redevelopment Plan in 1975, including the following:³

- Inadequate size and configuration of parcels for modern commercial use;
- Age, obsolescence, dilapidated and deteriorated conditions of structures;
- Mixed and shifting nature of commercial and residential uses formerly occupying the Mall site;
- Economic stagnation of the Project Area resulting in high vacancy rates, marginal businesses and tenants, low or declining sales volumes; and
- Lack of adequate public infrastructure, including lack of traffic circulation improvements and off-street parking that contributed to the economic stagnation of the downtown and that could not be overcome by the private sector alone.

³ The only available documentation of original blighting conditions in the Project Area includes a draft Preliminary Redevelopment Plan and accompanying staff report circulated in 1975 and references to 1975 conditions provided in subsequent Implementation Plans. The discussion in this report of original blighting conditions and the activities adopted to alleviate those conditions is limited to these resources.

Since the adoption of the Redevelopment Plan in 1975, the combined public/private effort to develop the Town Center Mall helped alleviate certain blighting conditions but has not eliminated them. While portions of the Project Area are no longer considered blighted, the impact of changing economic conditions over the past 25 years have perpetuated the need for continued redevelopment attention in Sunnyvale's Central Core, as will be described in this Report. In particular, the Town Center Mall has experienced both physical and economic challenges. Currently only Macy's and Target, two of the Center's three anchors, are open for business. All of the other retail outlets in the mall have been closed and a significant portion of the original parking structure has been closed due to safety concerns. The challenges at the Town Center Mall have adversely affected the economic vitality of the Project Area.

In the Agency's most recent Five Year Implementation Plan, adopted on March 8, 2005, the Agency states that its goals and objectives are to:

- Meet the Agency's existing financial and administrative obligations.
- Establish the downtown as the cultural, retail, financial and entertainment center of the community, complemented by employment, housing and transit opportunities.
- Implement specific actions such as the provision of public improvements in an attractive and cohesive physical form, which clearly identifies Sunnyvale's downtown.
- Develop and implement an overall parking strategy that meets the needs of retail, office, housing and visitor demand.
- Increase housing opportunities.⁴

D. Conformity with the General Plan

The Amended Plan will be in conformance with the City's General Plan. The Amended Plan will specifically provide that the City's General Plan, Downtown Specific Plan and Zoning Ordinance will be the governing land use documents for the Plan, as they currently exist and may be amended in the future.

E. Report to Council Requirements

As defined by the CRL Section 33354.6,⁵ the adoption of the proposed Amended and Restated Plan requires an amendment process that parallels the adoption of a new redevelopment plan. As defined in CRL Section 33352, the amendment process includes the preparation of a report to the legislative body that must demonstrate how the proposed redevelopment plan amendments meet several requirements. This Report to Council is designed to comply with these provisions of the CRL. The legal requirements and a description of how this Report to Council is organized to meet these requirements follow. Excerpts from the CRL are referenced and italicized.

⁴ Implementation Plan FY 2004/05-2008/09, Sunnyvale Central Core Redevelopment Project, January 2005 p. 6-7.

⁵ For amendments of redevelopment plans that use tax increment financing and add new territory to the project area, increase the limit of dollars to be allocated to the Agency, lengthen the time limit to incur debt or plan effectiveness, merge project areas and/or add significant additional capital improvement projects, CRL Section 33354.6(a) requires an agency to follow the same procedures as those required for a new plan adoption.

1. Reasons for Selecting the Project Area

The reasons for the selection of the project area. Section 33352(a)

This requirement is applicable if the Amended Plan changes the boundaries of the existing project area or the projects authorized under the existing plan. Therefore, this requirement is not applicable to this Amended Plan. Nevertheless, Section C above describes the reasons for the proposed Amended Plan.

2. Physical and Economic Conditions in the Project Area

A description of the physical and economic conditions existing in the project area. The description shall include a list of the conditions described in Section 33031 that exist within the project area and a map showing where in the project the conditions exist. Section 33352(b)

This Report includes a description of the blighting conditions in the Project Area in 1975, a summary of redevelopment activities to date, an evaluation of the remaining blight in the Project Area and identification of any portions of the Project Area that are no longer blighted.⁶ This information is provided in Chapter II and Appendices B, C and D. The evidence provided in this Report demonstrates that the Project Area contains adverse physical and economic conditions sufficient to support a finding that significant blight remains within the Project Area.

3. Proposed Projects and Blight Alleviation

... a description of the specific project or projects then proposed by the agency, a description of how these projects will improve or alleviate the conditions described in subdivision (b). Section 33352(a)

The adoption of the proposed Amended Plan will facilitate the implementation of projects and activities outlined in the Plan. This requirement is addressed in Chapter III.

4. Proposed Method of Financing and Feasibility

An explanation of why the elimination of blight and the redevelopment of the project area cannot reasonably be expected to be accomplished by private enterprise acting alone or by the legislative body's use of financing alternatives other than tax increment financing. Section 33352(d)

The proposed method of financing the redevelopment of the project area, in sufficient detail so that the legislative body may determine the economic feasibility of the plan, Section 33352(e)

⁶ The Report to Council for a redevelopment plan amendment that proposes to increase the limitation on the number of tax increment dollars to be allocated to the redevelopment agency, must include a description of remaining blighting conditions, portions of the area that are no longer blighted, the projects and activities required to eradicate blighting conditions, and the relationship of their cost and the increase in tax increment dollars.

Chapter IV of this Report describes the proposed methods of financing the projects and activities in the Project Areas, if the Amended Plan is adopted. It demonstrates the financial feasibility of the Redevelopment Program by comparing available funding sources for the Project Areas with projected costs of the Amended Redevelopment Program. Chapter IV also includes the reasons why redevelopment and tax increment financing continue to be necessary to eliminate blight and accomplish the goals and objectives of the Redevelopment Projects.

5. Implementation Plan

An implementation plan that describes specific goals and objectives of the agency, specific projects then proposed by the agency, including a program of actions and expenditures proposed to be made within the first five years of the plan, and a description of how these projects will improve or alleviate the conditions described in Section 33031. Section 33352(c)

The existing Five Year Implementation Plan for FY 2004/05 to FY 2008/09 continues to apply as the Amended Plan does not change the goals, objectives, projects or the program of actions and expenditures described in the existing Implementation Plan, as indicated in Chapter V. The Implementation Plan is provided in Appendix G.

6. Method or Plan for Relocation

A method or plan for the relocation of families and persons to be temporarily or permanently displaced from housing facilities in the project area, which method or plan shall include the provision required by Section 33411.1 that no persons or families of low and moderate income shall be displaced unless and until there is a suitable housing unit available and ready for occupancy by the displaced person or family at rents comparable to those at the time of their displacement. Section 33352(f)

Chapter VI addresses this requirement for the Amended Plan. Implementation of the Amended Plan will not result in the displacement of residents but could potentially result in the displacement of businesses. However, the Agency has no immediate plans to acquire property that would result in the relocation or displacement of any business.

7. Analysis of the Preliminary Plan

An analysis of the preliminary plan. Section 33352(g)

The Amended Plan does not require any changes to the existing Preliminary Plan, therefore, this requirement is not applicable, as indicated in Chapter VII of this Report.

8. Planning Commission Actions

*The report and recommendations of the planning commission. Section 33352(h)
The report required by Section 65402 of the Government Code. Section 33352(j)*

Chapter VIII addresses this requirement for the Plan Amendment.

9. Summary of Public Review of the Plan Amendment

The summary referred to in Section 33387. Section 33352(i)

Chapter IX addresses this requirement for the Plan Amendment.

10. Environmental Review

The report required by Section 21151 of the Public Resources Code. Section 33352(k)

Chapter X of this Report addresses this requirement.

11. Report of the County Fiscal Officer

The report of the county fiscal officer as required by Section 33328. Section 33352(l)

*An analysis by the agency of the report submitted by the county as required by Section 33328...
Section 33352(n)*

The County Fiscal Officer's Report was prepared at the time of adoption of the Redevelopment Plan. Since the Plan Amendment does not add any area to the Project Area, this requirement is not applicable, as described in Chapter XI of this Report.

12. Summary of Consultations with Taxing Entities

An analysis by the agency of the report submitted by the county as required by Section 33328, which shall include a summary of the consultation of the agency, or attempts to consult by the agency, with each of the affected taxing entities as required by Section 33328. If any of the affected taxing entities have expressed written objections or concerns with the proposed project area as part of these consultations, the agency shall include a response to these concerns, additional information if any, and, at the discretion of the agency, proposed or adopted mitigation measures. Section 33352(n)

A summary of consultations with affected taxing entities is contained in Chapter XII of this report. Appendix I includes copies of correspondence the Agency has had with the taxing entities concerning the Amended Plan.

13. Neighborhood Impact Report

If the project area contains low or moderate income housing, a neighborhood impact report which describes in detail the impact of the project upon the residents of the project area and the surrounding areas, in terms of relocation, traffic circulation, environmental quality, availability of community facilities and services, effect on school population and quality of education, property assessments and taxes, and other matters affecting the physical and social quality of the neighborhood. Section 33352(m)

Chapter XIII addresses this requirement for the Plan Amendment.

F. Overview of the Amended Plan Process

This proposed Amended Plan will increase the Agency's fiscal capacity to collect tax increment and requires demonstration pursuant to the CRL that significant blight remains in the redevelopment project area that cannot continue to be alleviated without redevelopment assistance.

An amendment to a redevelopment plan to increase the fiscal limit on tax increment collection involves a complex, statutorily-mandated process designed to provide a community's legislative body with the necessary analysis and input to make informed decisions about the purpose, scope and content of the amended plan and, ultimately, about whether to adopt the amended plan. The procedures and documentation required for this amended plan are similar to the adoption of an initial redevelopment plan (CRL Sections 33354.5 and 33354.6). The following briefly describes the reports and steps in the amended plan adoption process:

- **Preliminary Report.** The Preliminary Report describes the purpose and impact of the proposed Amended Plan. It is the first major background document in the process for the approval of the Amended Plan. This Preliminary Report was prepared and distributed on July 8, 2005 to affected taxing entities and provides useful information for the fiscal consultation process.
- **Environmental Impact Report (EIR).** Adoption of the Amended Plan is a "program" that requires compliance with the California Environmental Quality Act ("CEQA"). An EIR for the Downtown Improvement Program Update was prepared in Spring 2003. An Addendum to the EIR was prepared in June 2004, specific to the Town Center Mall project. The proposed program activities described in this report are within the scope of that EIR. No further environmental review is required and these environmental reports serve as the environmental documentation required for the Amended Plan. (CRL Section 33333.3)
- **Amended and Restated Plan.** The Agency has circulated a draft Amended and Restated Plan to the taxing entities and made it available for the environmental review and community participation process. (CRL Section 33346)
- **Report on the Amended and Restated Plan.** This Report on the Amended and Restated Plan or Report to the City Council consists of updated information from the Preliminary Report, the Five Year Implementation Plan, and additional chapters addressing other subjects required by the CRL. (CRL Section 33352).

II. Existing Conditions

A. Introduction

1. Purpose

This chapter describes adverse physical and economic conditions that remain within the boundaries of the Sunnyvale Central Core Redevelopment Project. This description is provided to support a finding by the Redevelopment Agency and City Council that significant blight remains in the Project Area, and this remaining blight cannot be eliminated without an amendment of the Redevelopment Plan. The proposed amendment would enable the Agency to continue to alleviate blight by increasing the limitation on the number of tax increment dollars to be allocated to the Redevelopment Agency.

2. Methodology

Three main techniques were used to assess adverse conditions remaining in the Project Area:

- Field Reconnaissance Surveys. These included a number of field reconnaissance surveys conducted by the consultants in cooperation with city staff during the period 1999-2004. In 2005, a building conditions survey of the areas still needing redevelopment attention was conducted by the consultants. This latter survey is described below in subsection G, Building Conditions Survey. Photographic documentation of blighting conditions is provided in Appendix B.
- Discussions with City Staff. The results of field reconnaissance surveys, the distribution of adverse existing conditions, and potential redevelopment strategies were extensively discussed with city staff during the period 1999 through 2005. These discussions included meetings, conference calls, and individual telephone conversations. These discussions led to a consensus on the areas of the project that are no longer blighted and those that still need redevelopment attention.
- Review of Available Maps, Studies and Reports. All available maps, aerial photographs, studies, and reports relevant to the assessment of existing conditions were reviewed. Such documentation included the original 1975 Sunnyvale Central Core Redevelopment Plan and the 2000 and 2005 Implementation Plans. A list of all sources used in this report is provided in Appendix A.

B. Adoption of the Original Redevelopment Plan in 1975

1. Reasons for Establishing the Original Redevelopment Project

The Redevelopment Plan was adopted in 1975. Adoption of the Plan established an approximately 184 acre project that comprised much of Sunnyvale's central business district. The Redevelopment Plan was adopted *...in order to remove and correct the conditions of blight which presently depress the Project Area, preventing it from reaching its full potential, and which will deepen and spread if unchecked.*¹

¹ Redevelopment Plan for the Central Core, Sunnyvale, California, September 19, 1975, p.1.

Agency activities, including land assembly, clearance, reconstruction, rehabilitation and conservation, would be used to help eliminate blighting conditions in the Project Area and help promote the growth of the city's economic base through the provision of new public improvements, thereby facilitating new commercial development and housing.

Specific actions described in the 1975 Redevelopment Plan included, but were not limited to:

- *Acquisition of real property, including improved or unimproved land, structures, improvements, easements, estates and other rights in land, legal or equitable;*
- *Demolition and removal of buildings and improvements;*
- *Rendition of relocation assistance to individuals, families, and business concerns displaced by the project;*
- *Installation and construction of streets, utilities, landscaping and other improvements necessary for carrying out in the project area the redevelopment objectives in accordance with this plan;*
- *Incidental improvement of structures or redevelopment of now vacant land by present owners for uses in accordance with the plan;*
- *Disposition of any property acquired in the project, including sale, interim leasing, or renting by the Agency, at its fair value for uses in accordance with this plan;*
- *Rehabilitation of properties in non-clearance areas through encouragement, example and loans, where appropriate, pursuant to the Marks-Foran Residential Rehabilitation Act of 1973 and code enforcement activity;*
- *Residential construction through revenue bonds pursuant to Chapter 8, Part1, Division 24, of the Health and Safety Code.²*

2. Finding of Blight and Adoption of the Plan by the Agency and Council

In 1975, the Agency and City Council found that the area was blighted and in need of redevelopment. The official Redevelopment Plan was then adopted on November 26, 1975 by City Council Ordinance No. 1796-75.

C. Relevant Provisions of the California Community Redevelopment Law

1. Documenting Blight in Accordance with Applicable Provisions of the Community Redevelopment Law

The analysis of adverse existing conditions contained in this chapter focuses primarily on blighting conditions identified at the time of the 1975 Redevelopment Plan adoption that still remain. These conditions are described below in detail and are conditions that will still need to be alleviated by redevelopment action.

² op. cit., p. 8

Although final consideration by the Agency and City Council on the extent of blight and the need for ongoing redevelopment action will mainly be based upon the eligibility requirements in effect in 1975, it is nevertheless prudent to also consider these remaining blighting conditions in terms of the blight eligibility requirements of the current law.

The applicable provisions of both the 1975 law and the current law are set forth below.

2. Blight Eligibility Requirements in Effect in 1975

Sections 33031 and 33032 of the 1975 Community Redevelopment Law identified the following conditions that could be used in support of a finding of blight:

Section 33031 of the law stated:

A blighted area is characterized by the existence of buildings and structures, used or intended to be used for living, commercial, industrial, or other purposes, or any combination of such uses, which are unfit or unsafe to occupy for such purposes and are conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, and crime because of any one or a combination of the following factors:

- (a) Defective design and character of physical construction.*
- (b) Faulty interior arrangement and exterior spacing.*
- (c) High density of population and overcrowding.*
- (d) Inadequate provision for ventilation, light, sanitation, open spaces, and recreational facilities.*
- (e) Age, obsolescence, deterioration, dilapidation, mixed character, or shifting of uses.*

Section 33032 of the law added:

A blighted area is characterized by properties which suffer from economic dislocation, deterioration, or disuse because of one or more of the following factors:

- (a) An economic dislocation, deterioration, or disuse resulting from faulty planning.*
- (b) The subdividing and sale of lots of irregular form and shape and inadequate size for proper usefulness and development.*
- (c) The laying out of lots in disregard of the contours and other topography or physical characteristics of the ground and surrounding conditions.*
- (d) The existence of inadequate public improvements, public facilities, open spaces, and utilities which cannot be remedied by private or governmental action without redevelopment.*
- (e) A prevalence of depreciated values, impaired investments and social and economic maladjustment.*

- (f) The existence of lots or other areas which are subject to being submerged by water; provided that any ecologically valuable existing features in such areas shall, to the maximum extent feasible, be preserved.*

3. Blight Eligibility Requirements Under the Current Law

In October 1993, Assembly Bill 1290 (AB 1290) was passed by the California State Legislature and later signed into law. AB 1290 modified the blight definitions contained in the Community Redevelopment Law. In general, in order to qualify for redevelopment, an area must exhibit both physical and economic blighting conditions. Sections 33030 and 33031 describe the standards for and characteristics of blighted areas:

a. Characteristics of a Blighted Area (Section 33030)

- (a) It is found and declared that there exist in many communities blighted areas which constitute physical and economic liabilities, requiring redevelopment in the interest of the health, safety, and general welfare of the people of these communities and of the state.*
- (b) A blighted area is one that contains both of the following:*
- (1) An area that is predominately urbanized, as that term is defined in Section 33320.1, and is an area in which the combination of conditions set forth in Section 33031 is so prevalent and so substantial that it causes a reduction of, or lack of, proper utilization of the area to such an extent that it constitutes a serious physical and economic burden on the community which cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment.*
 - (2) An area that is characterized by either of the following:*
 - (A) One or more conditions set forth in any paragraph of subdivision (a) of Section 33031 and one or more conditions set forth in any paragraph of subdivision (b) of Section 33031.*
 - (B) The condition described in paragraph (4) of subdivision (a) of Section 33031.*
- (c) A blighted area also may be one that contains the conditions described in subdivision (b) and is, in addition, characterized by the existence of inadequate public improvements, parking facilities, or utilities.*

b. Physical and Economic Conditions that can be Used as Evidence of Blight (Section 33031)

- (a) This subdivision describes physical conditions that cause blight:*
- (1) Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions can be caused by serious building code violations, dilapidation and deterioration, defective design or physical construction, faulty or inadequate utilities, or other similar factors.*

- (2) *Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots. This condition can be caused by substandard design, inadequate size given present standards and market conditions, lack of parking, or other similar factors.*
 - (3) *Adjacent or nearby uses that are incompatible with each other and which prevent the economic development of those parcels or other portions of the project area.*
 - (4) *The existence of subdivided lots of irregular form and shape and inadequate size for proper usefulness and development that are in multiple ownership.*
- (b) *This subdivision describes economic conditions that cause blight:*
- (1) *Depreciated or stagnant property values or impaired investments, including, but not necessarily limited to, those properties containing hazardous wastes that require the use of agency authority as specified in Article 12.5 (commencing with Section 33459).*
 - (2) *Abnormally high business vacancies, abnormally low lease rates, high turnover rates, abandoned buildings, or excessive vacant lots within an area developed for urban use and served by utilities.*
 - (3) *A lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, and banks and other lending institutions.*
 - (4) *Residential overcrowding or an excess of bars, liquor stores, or other businesses that cater exclusively to adults, that has led to problems of public safety and welfare.*
 - (5) *A high crime rate that constitutes a serious threat to the public safety and welfare.*

D. Linking Conditions of Remaining Blight to Applicable Provisions of the Community Redevelopment Law

It is important to link the conditions of remaining blight to the eligibility and blight provisions of the California Community Law as such provisions existed at the time of the 1975 redevelopment plan adoption and as they exist today. To provide such a linkage, a citation of the relevant provisions of the law will be found at the end of each description of blighting physical and economic conditions.

E. Identification of Areas Still Needing Redevelopment Attention

1. Progress to Date

Since the approval of the Redevelopment Plan for the Sunnyvale Core in 1975, substantial progress has been made in the elimination of adverse physical and economic conditions that have blighted the Project Area. This progress has resulted from both public and private efforts. Added parking resources were supplied, major department stores located in the Project Area, older business buildings were updated, and scores of residences were rehabilitated. However, in spite of this progress, a significant part of the Project Area still needs redevelopment attention.

2. Assessment of Remaining Blight

A number of field reconnaissance surveys were conducted during the period 1999 to 2004 to assess existing conditions within the Project Area. These surveys were conducted by the consultant team with the active participation of city staff. Information on existing conditions was researched and reviewed by the consultant team and subsequently this information was utilized to prepare a map that clearly identified areas that are no longer blighted and those that still need redevelopment attention.

3. Areas Still Needing Redevelopment Attention

The areas of the Project Area still needing redevelopment attention are set forth in Figure II-1, Areas No Longer Blighted and Areas Still Needing Redevelopment Attention, presented on the following page.

4. Summary of Blighting Conditions

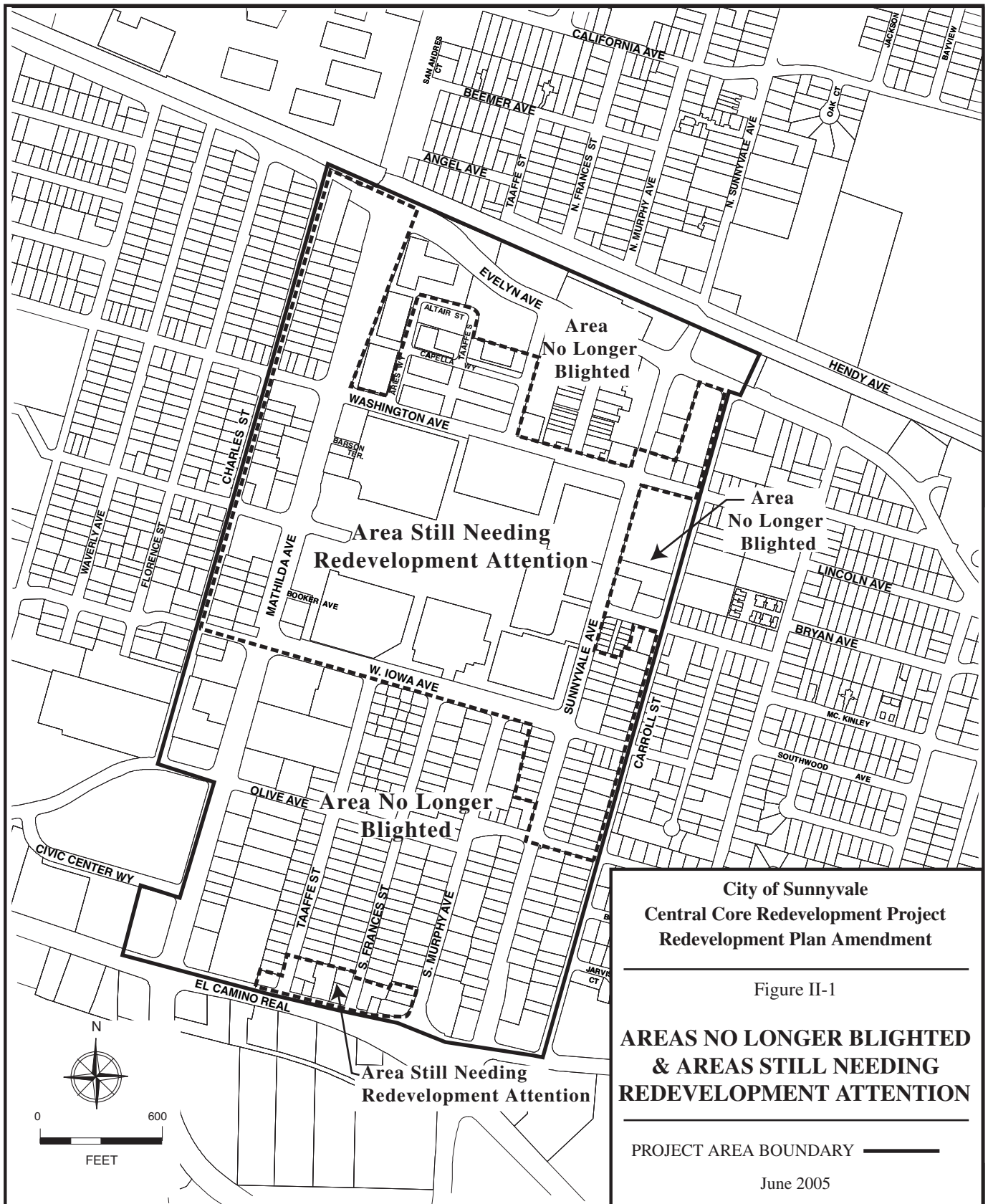
The locations of conditions of remaining blight in the areas still needing redevelopment attention are generally described in Figure II-2, Summary of Blighting Conditions, presented below.

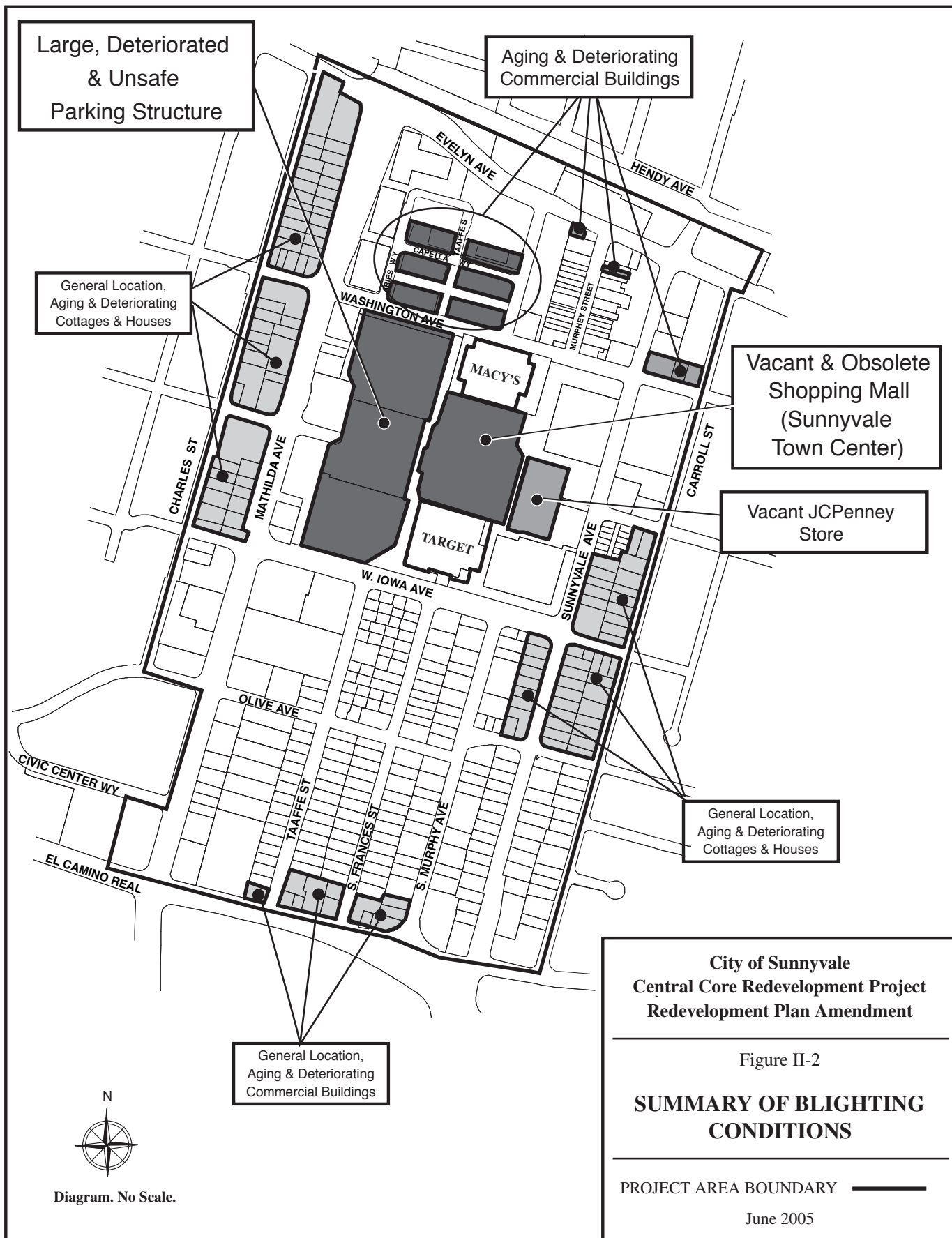
F. Major Building Vacancies and Underutilized Land

1. Major Building Vacancies

Vacancies in major buildings provide substantial evidence of economic blight. These include the following:

- The Vacant Town Center Mall. The Town Center Mall is an enclosed two-level structure with approximately 269,500 square feet of rentable area, exclusive of anchor major department stores. It is entirely vacant.
- The Vacant Former JCPenney Store. This approximately 98,000 square foot store was one of three major anchors to the Mall. It is entirely vacant.
- The Partially Vacant Town Center Parking Garage. This large two-level parking structure covers more than eleven acres. The entire upper deck has been closed for safety reasons.
- A Vacant Office and Restaurant Building. This building, located on the southeast corner of Washington and Mathilda Avenues, is entirely vacant.
- A Vacant Office Building. This two-story building, on the easterly side of Mathilda Avenue near Barson, was formerly occupied by an architectural firm. It is entirely vacant.
- A Vacant Bank Building. Formerly occupied by a bank, this vacant building is located on the southwest corner of Washington and Mathilda Avenues.





City of Sunnyvale
Central Core Redevelopment Project
Redevelopment Plan Amendment

Figure II-2

**SUMMARY OF BLIGHTING
CONDITIONS**

PROJECT AREA BOUNDARY

June 2005

2. Underutilized Land

Underutilized land also provides evidence of economic blight. These sites include:

- A Large, Vacant Site on the Easterly Side of Mathilda Avenue. This site, located on Mathilda Avenue between Washington and Iowa Avenues, has been vacant and underutilized for many years.
- A Parking Lot on Evelyn Avenue Between Charles Street and Mathilda Avenue. This parking lot is underutilized.
- A Parking Lot at the Southwest Corner of Evelyn Avenue and Carroll Street. This parking lot represents an underutilization of valuable land.
- A Vacant Site at the Northwest Corner of Mathilda and Iowa Avenues. This site has been vacant and underutilized for many years.

The locations of building vacancies and underutilized land are shown in Figure II-3, Major Building Vacancies & Underutilized Land, presented below.

3. Evidence of Remaining Blight Presented in Accordance with the 1975 Community Redevelopment Law Project Eligibility Requirements

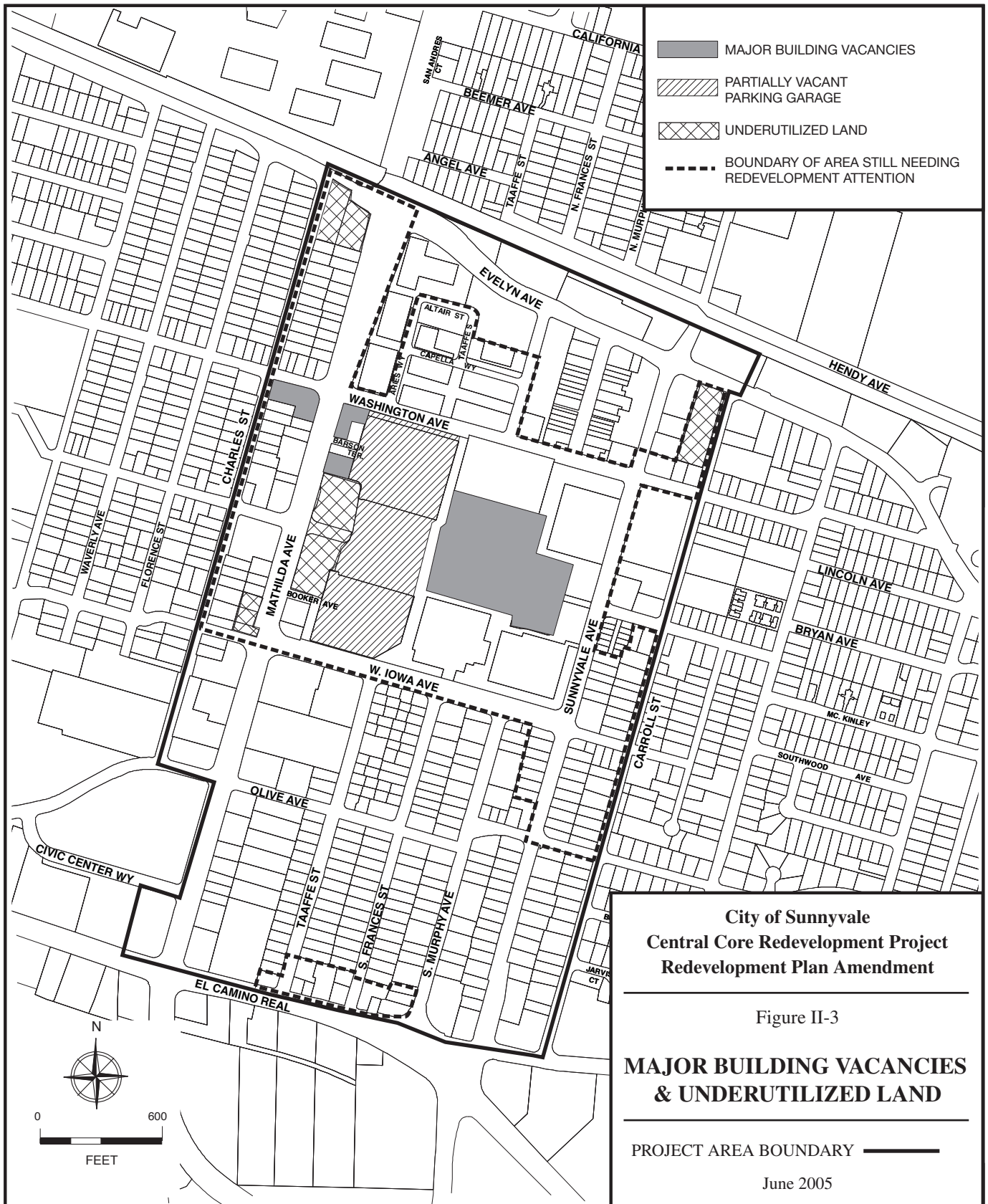
The descriptions of vacant buildings and underutilized land set forth above provide ample evidence that the areas still needing redevelopment attention suffer from economic blight. This evidence, which is both substantial and persuasive, is presented in satisfaction of the following provisions of the 1975 Law:

Section 33032

A blighted area is characterized by properties which suffer from economic dislocation, deterioration, or disuse because of one or more of the following factors:

Section 33032(a) An economic dislocation, deterioration, or disuse resulting from faulty planning.

Section 33032(e) A prevalence of depreciated values, impaired investments and social and economic maladjustment.



4. Evidence of Remaining Blight Presented in Accordance with Current Community Redevelopment Law Project Eligibility Requirements

The descriptions of vacant buildings and underutilized land set forth above provide ample evidence that the areas still needing redevelopment attention suffer from economic blight. This evidence, which is both substantial and persuasive, is presented in satisfaction of the following provisions of the current Law:

Section 33031(b)

Section 33031(b)(1): Depreciated or stagnant property values or impaired investments, including, but not necessarily limited to, those properties containing hazardous wastes that require the use of agency authority as specified in Article 12.5 (commencing with Section 33459)

Section 33031(b)(2): Abnormally high business vacancies, abnormally low lease rates, high turnover rates, abandoned buildings, or excessive vacant lots within an area developed for urban use and served by utilities.

G. Building Conditions Survey

1. Methodology

A comprehensive Building Conditions Survey was conducted to evaluate building conditions in the areas still needing redevelopment attention. The survey, conducted in May, 2005, updated previous field reconnaissance surveys.

Every major building was rated by a consultant on a scale of 1 (worst condition) to 5 (best condition). Some buildings required a second examination. Appropriate changes were made to ratings when warranted.

The building condition ratings represent the professional opinion of the consultant with more than 40 years of directly relevant experience.³ The qualifications of the consultant include 4 years as real estate appraiser and negotiator (commercial and residential properties), 12 years as a redevelopment planner and administrator (San Francisco Redevelopment Agency), 24 years in private practice (redevelopment planning, implementation, and existing conditions assessment), and testimony in court and before public bodies as an expert witness (on redevelopment plan adoption matters and existing conditions).

2. Standards and Criteria

The general standards and criteria used in assessing the physical condition of buildings are summarized in Table II-1, Building Conditions Assessment, presented on the following page.

³ John B. Dykstra of John B. Dykstra & Associates.

**Table II-1
Building Conditions Assessment**

Standards Used in Assessing Building Conditions	
Specific Standard:	The provisions of the California Community Redevelopment Law pertaining to blight
General Standard:	The relative cost of correcting building deficiencies, code compliance problems, and seismic safety problems to a degree sufficient to ensure a relatively long-term physical and economic life (i.e., 20-40 years)

Building Condition Rating	General Condition	Likely Cost of Correcting Deficiencies⁶	Potential for Private Economic Rehabilitation⁷
1	Very extensive physical/structural deficiencies (often dilapidated) ¹	Very high	Very difficult, if not impossible
2	Extensive physical/structural deficiencies ²	High	Difficult
3	General good condition, some deficiencies present ³	Significant	Possible
4	Relatively few deficiencies present ⁴	Low to moderate	Relatively easy
5	General excellent condition ⁵	Minor to low	None required

1. Typical conditions present include Major Adverse Physical Conditions or significant combination of Other Adverse Physical Conditions.
2. Typical conditions present include a number of Other Adverse Physical Conditions or significant cumulative deferred maintenance.
3. Typically some Other Adverse Physical Conditions are present.
4. Typically few Other Adverse Physical Conditions are present.
5. Typically no Other Adverse Physical Conditions are present.
6. To the "General Standard" set forth above.
7. Without redevelopment assistance.

Adverse Physical Conditions Considered in Assessing Building Conditions
Major Adverse Physical Conditions <ul style="list-style-type: none"> • General dilapidation (very serious deterioration of entire structure or major parts thereof) • Apparent abandonment (vandalized or boarded up buildings) • Structural failure (cracking or subsided foundations, sagging walls or roofs, etc.) • Structural weakness (buildings without adequate foundations, substandard construction, unreinforced masonry walls, etc.)
Other Adverse Physical Conditions <ul style="list-style-type: none"> • Potential seismic weakness • Deferred maintenance and neglect • Broken windows • Peeling or faded paint • Sagging porches • Dry rot in walls, window frames, door frames, doors, roof rafters, and trim • Deteriorated, damaged, poorly repaired, or excessive layers of roofing materials • Cracks or loose bricks in chimneys • Deteriorated, broken, or loose siding materials • Deteriorated or broken stucco walls • Rusted, deteriorated, or missing roof drainage gutters or down spouts • Faulty wiring or plumbing • Old and possibly substandard and hazardous electrical service • Eroded mortar or loose bricks in masonry walls • Informal or substandard construction

3. Building Conditions Survey Results

A total of 132 buildings were evaluated in the areas still needing redevelopment attention. Of this total, 40 (or 30 percent) were found to be in the top three building condition ratings (which range from a category 3, generally good condition to category 5, generally excellent condition). The likely cost of correcting deficiencies in these buildings ranges from “significant” (category 3) to “minor to low” (category 5). Nevertheless, 92 buildings (or 70 percent) were found to be in the two lower categories; where extensive physical deficiencies are present. The cost of correcting deficiencies in these buildings is likely to be high, and economic rehabilitation of some of these buildings could be difficult.

The results of the Building Conditions Survey are presented in Table II-2, Building Conditions Survey Results, below. For information on the distribution of survey results within the areas still needing redevelopment attention, see Appendix D.

Table II-2
City of Sunnyvale
Central Core Redevelopment Project Areas
Still Needing Redevelopment Assistance

Building Conditions Survey Results

Building Conditions Rating	Number of Buildings
1	29
2	63
3	34
4	4
5	2
Totals	132

Average Building Condition Rating: 2.1

4. Evidence of Remaining Blight Presented in Accordance with the 1975 Community Redevelopment Law Project Eligibility Requirements

The description of building conditions set forth above provides ample evidence that the areas still needing redevelopment attention are physically blighted. This evidence, which is both substantial and persuasive, is presented in satisfaction of the following provisions of the 1975 Community Redevelopment Law:

Section 33031

A blighted area is characterized by the existence of buildings and structures, used or intended to be used for living, commercial, industrial, or other purposes, or any combination of such uses, which are unfit or unsafe to occupy for such purposes and are conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, and crime because of any one or a combination of the following factors:

Section 33031(a): *Defective design and character of physical construction.*

Section 33031(e): *Age, obsolescence, deterioration, dilapidation, mixed character, or shifting of uses.*

5. Evidence of Remaining Blight Presented in Accordance with Current Community Redevelopment Law Project Eligibility Requirements

The description of building conditions set forth above provides ample evidence that the areas still needing redevelopment attention are physically blighted. This evidence, which is both substantial and persuasive, is presented in satisfaction of the following provisions of the current Community Redevelopment Law:

Section 33031(a)

Section 33031(a)(1): *Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions can be caused by serious building code violations, dilapidation and deterioration, defective design or physical construction, faulty or inadequate utilities, or other similar factors.*

Section 33031(a)(2): *Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots. This condition can be caused by substandard design, inadequate size given present standards and market conditions, lack of parking, or other similar factors.*

H. Evidence of Adverse Blighting Conditions in Specific Areas That Still Need Redevelopment Attention

1. Introduction

This section provides detailed information on blighting conditions in specific areas of the Project Area that still need redevelopment attention. Evidence is provided for each of the following areas where conditions of blight still remain:

- The Sunnyvale Town Center
- The Sunnyvale Town Center Parking Garage
- The Former JCPenney Department store
- Other Areas with Adverse Physical and Economic Conditions

2. The Sunnyvale Town Center⁴

a. Introduction

This description of remaining blighting conditions pertains to the entire Sunnyvale Town Center which includes (1) the Town Center Mall which constituted the central core of the shopping center and (2) three anchors which, at one time, included buildings occupied by Macy's, Montgomery Ward, and JCPenney. Today only two of the three department store buildings are occupied (by Macy's and Target stores). The former JCPenney store is vacant.

b. Physical and Economic Blight Associated with the Decline and Closing of the Town Center Mall

This subsection describes blighting conditions in the Town Center Mall, a two level structure that was built as the central core of a relatively small, physically integrated regional shopping center. The mall provided a linkage at both levels with three major department store anchors. The mall itself has approximately 269,500 square feet of rentable area and space for 117 retail and service tenants.

The mall space is now totally vacant, and all tenants have departed. Public access to the mall is no longer permitted. The connections between the vacant mall and the two surviving department stores have also been closed and, as a result, patronage at these stores is reported to be suffering.

The mall is constructed of steel and reinforced concrete. Although it appears to be solidly built, it is not known how well the building meets current seismic resistance standards.

⁴ Much of this subsection is derived from the *Report on Fourth Plan Amendment, Sunnyvale Central Core Redevelopment Project Area, December 2003*, prepared by the Sunnyvale Redevelopment Agency. For further details, reference should be made to the report and its supporting references.

The mall was constructed more than 20 years ago in a configuration and style that was prevalent at the time of construction. Although many of the individual shops have been updated over the years, the mall has not been recently renovated or modernized. The two floors of the mall are paved in dark tile and many of the planters and some of the wall surfaces are also trimmed with dark tile, dark paint or other materials. Even when it was in full operation, the available lighting was unable to overcome the dark, dated appearance of the mall. Access between floors was also limited and confusing. These conditions and functional obsolescence contributed greatly to the mall's economic decline.⁵

In the late 1970s a large parking deck was constructed in the area between the Sunnyvale Town Center and Mathilda Avenue. Unfortunately, the construction of the parking deck in this location tends to hide the Town Center from this heavily traveled thoroughfare and, since it was built, the property has projected an appearance of being semi-closed. Even for local patrons who knew of the existence of the mall shops, the parking structure and the monolithic entrance to the mall created a somewhat forbidding, exclusionary, psychological barrier to the property. The structural decay of the parking deck, which has forced the city to close the upper level, has blighted this side of the mall.⁶

Various efforts have been made over the years to improve the performance of the mall and the entire Town Center. The closure of the JCPenney store reduced the attractiveness of the Town Center as a shopping destination. Although new parking resources were provided in a public structure at the corner of Sunnyvale and Iowa Streets, changes in mall ownership, tenant losses, loan defaults and bankruptcy proceedings have all complicated recovery efforts. All efforts to turn the mall around failed, and retail occupancy of the mall went into a steep decline.

In 2002, a receiver was appointed by a bankruptcy court to take over operation of the distressed mall property. At that time occupancy of the mall was officially stated at 51 percent, although actual occupancy was much lower.⁷ On August 31, 2003, the receiver proceeded to close the mall because the cost of operation of the mall exceeded income from the property. The receiver's assessment of the blighting conditions of the mall properties is documented in Appendix C.

The City and Agency recognize that to significantly alleviate the blighting conditions of the mall properties, the obsolete structures must be demolished and replaced with a modern consumer-oriented facility integrated with the downtown. Both the City's economic consultant, Keyser Marston Associates, and the selected developer for the new Town Center Mall, have indicated that such a redevelopment project is not economically feasible without both public and private participation. Their assessments are also provided in Appendix C.

c. Adverse Impacts on Retail Anchors

The decline and closing of the Town Center Mall has resulted in serious adverse impacts on the remaining department stores that anchor the Sunnyvale Town Center. Such impacts include, but are not limited to, the following:

- The functional advantages of a modern, integrated shopping center have been totally lost. As a result, the two remaining anchors (Macy's and Target) must function as separate stores.
- The mall provided comfortable two-level, interior mall access between the three anchors. Such access has been totally lost.

⁵ The conditions described were observed over the period 2000 through 2003, when the mall was still in full operation.

⁶ Source: Letter from James H. Baron, Receiver, to Robert Paternoster, Director of Community Development, City of Sunnyvale, October 16, 2003, page 1. See Appendix C.

⁷ Op. cit., page 1

- Potential and actual retail sales at both remaining stores have suffered as a result of the closing.

d. Loss of City Sales Tax Revenues

An examination of available sales tax revenue information reveals that tax revenues collected for retail sales in the Sunnyvale Town Center (both mall and anchors) declined nearly 12 percent during the past 5 years. For details, see Table II-3, Summary of Historical Sales Tax Revenues, presented on the following page.

e. Photographic Documentation

For evidence of economic blight in the Sunnyvale Town Center Mall, reference should be made to Appendix B, Photographic Documentation, pages A-1 through A-6.

f. Evidence of Remaining Blight Presented in Accordance with the 1975 Community Redevelopment Law Project Eligibility Requirements

The description set forth above provides ample evidence that the Sunnyvale Town Center Mall suffers from both physical and economic blight. This evidence, which is both substantial and persuasive, is presented in satisfaction of the following provisions of the 1975 Community Redevelopment Law:

Section 33031

A blighted area is characterized by the existence of buildings and structures, used or intended to be used for living, commercial, industrial, or other purposes, or any combination of such uses, which are unfit or unsafe to occupy for such purposes and are conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, and crime because of any one or a combination of the following factors:

Section 33031(a): *Defective design and character of physical construction.*

Section 33031(b): *Faulty interior arrangement and exterior spacing.*

Section 33031(e): *Age, obsolescence, deterioration, dilapidation, mixed character, or shifting of uses.*

Section 33032

A blighted area is characterized by properties which suffer from economic dislocation, deterioration, or disuse because of one or more of the following factors:

Section 33032(a): *An economic dislocation, deterioration, or disuse resulting from faulty planning.*

Section 33032(e): *A prevalence of depreciated values, impaired investments and social and economic maladjustment.*

Table II-3
Summary of Historical Sales Tax Revenues and Annual Growth in Nominal Dollars
Sunnyvale Central Core Project Area

	1	2	3	4	5	
	FY 1999/00	FY 2000/01	FY 2001/02	FY 2002/03	FY 2003/04	Average Annual Percentage Change
	Total Sales Tax Revenue	Total Sales Tax Revenue	Total Sales Tax Revenue	Total Sales Tax Revenue	Total Sales Tax Revenue	
	Growth from Prior Year	Growth from Prior Year	Growth from Prior Year	Growth from Prior Year	Growth from Prior Year	
Town Center Mall	\$ 946,416	\$ 956,884 1.11%	\$ 695,794 -27.29%	\$ 833,930 19.85%	\$ 572,689 -31.33%	-11.80%
Project Area Still Needing Redevelopment Attention	\$ 1,220,104	\$ 1,281,973 5.07%	\$ 969,792 -24.35%	\$ 1,081,466 11.52%	\$ 822,619 -23.93%	-9.38%
Area No Longer Blighted	\$ 125,309	\$ 138,830 10.79%	\$ 109,917 -20.83%	\$ 91,576 -16.69%	\$ 91,117 -0.50%	-7.66%
Total Project Area	\$ 1,345,416	\$ 1,420,803 5.60%	\$ 1,079,709 -24.01%	\$ 1,173,042 8.64%	\$ 913,736 -22.11%	-9.22%
City of Sunnyvale	\$ 26,093,300	\$ 31,297,501 19.94%	\$ 21,795,530 -30.36%	\$ 20,339,903 -6.68%	\$ 20,457,107 0.58%	-5.90%
Santa Clara County	\$ 281,414,681	\$ 326,221,783 15.92%	\$ 268,076,392 -17.82%	\$ 239,864,872 -10.52%	\$ 247,357,285 3.12%	-3.17%

Source: HdL, Coren & Cone, January 2005

g. Evidence of Remaining Blight Presented in Accordance with Current Community Redevelopment Law Project Eligibility Requirements

The description set forth above provides ample evidence that the Town Center Mall suffers from both physical and economic blight. This evidence, which is both substantial and persuasive, is presented in satisfaction of the following provisions of the current Community Redevelopment Law:

Section 33031(a)

Section 33031(a)(2): *Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots. This condition can be caused by substandard design, inadequate size given present standards and market conditions, lack of parking, or other similar factors.*

Section 33031(b)

Section 33031(b)(1): *Depreciated or stagnant property values or impaired investments, including, but not necessarily limited to, those properties containing hazardous wastes that require the use of agency authority as specified in Article 12.5 (commencing with Section 33459.)*

Section 33031(b)(2): *Abnormally high business vacancies, abnormally low lease rates, high turnover rates, abandoned buildings, or excessive vacant lots within an area developed for urban use and served by utilities.*

3. The Sunnyvale Town Center Parking Garage⁸

a. Introduction

In 1979, the Sunnyvale Town Center parking garage was built to serve the Sunnyvale Town Center and other downtown commercial structures. Consisting of a single level parking deck built over ground level parking, the structure covers more than eleven acres. The parking deck is built with reinforced concrete columns and beams topped off with a post-tensioned reinforced concrete slab. A reinforced concrete ramp system provides access between the elevated parking deck and ground floor parking. Two pedestrian bridges link the upper parking deck to Macy's and the Town Center Mall.

b. Evidence of Physical Deterioration and Safety Hazards

For more than 24 years, the City of Sunnyvale has been concerned about the extent of deterioration and safety problems present in this large parking structure. As a result, the City has commissioned a number of professional engineering studies to assess the extent of these problems. These studies, which are summarized below, present evidence that the garage is badly deteriorated and is, in fact, unsafe.

Degenkolb Engineers (Degenkolb) indicated in a report, dated May 16, 2003, that the Town Center parking structure is "rapidly approaching the end of its useful, safe life." The reactive patchwork repairs that had been made in the past do not provide an adequate, expected factor of safety for the parking structure, according to Degenkolb.

⁸ Much of this subsection is derived from the *Report on Fourth Plan Amendment, Sunnyvale Central Core Redevelopment Project Area, December 2003*, prepared by the Sunnyvale Redevelopment Agency. For further details, reference should be made to the report and its supporting references.

In its report, Degenkolb also provided a synopsis of its historical observations regarding the condition of the parking structure. This synopsis, which follows, provides a detailed, historical summary of the deterioration that has taken place and the safety hazards that are still present in this large structure.

Degenkolb has been examining and reporting on the condition of the structure since December, 1979. As they reported at that time, "To the extent that we have been able to check, the structural design appears to meet all the requirements of the 1976 Uniform Building Code. However, there are a number of problems, not covered by the letter of the Code, which could result in additional distress in the future."

Since 1983, Degenkolb has periodically surveyed the condition of the garage, generally on an annual basis, and has reported to the city the ongoing deterioration of the garage, most of which was predicted in the 1979 report. Observed areas of deterioration include: spalling concrete at column tops and beam ends, diagonal shear cracks in beams, deteriorated neoprene bearing pads, cracking in the post-tensioned slab along east/west column lines, deterioration of the expansion joint covers, and rusting of some connection plates at the precast rail sections of the roof. In December 1994, Degenkolb expressed concerns that the connection of the center pedestrian bridge to the parking deck may not be adequate for design level seismic forces.

In June, 2002, the City requested that Degenkolb visit the garage to observe a 15 foot long section of the expansion joint cover, between column lines 15 and 16, that had come loose and fallen through the joint to the ground below. This failure left a six-inch wide joint exposed between the north and central section of the garage. These expansion joints, identified as a problem since construction of the garage, have continued to deteriorate over time.

In August, 2002, a second post-tension tendon in the elevated deck slab broke which resulted in a tendon protruding above the surface of the parking deck. After observing this condition, Degenkolb recommended a testing program to estimate the number of post-tensioning tendons that might have broken or be near failure.

In March, 2003, John Harrison, an engineer with ABR Engineers conducted an investigation and prepared a report on conditions observed at the parking garage. In April, 2003 Degenkolb visited the site to observe areas of distress reported by Harrison. Degenkolb was particularly concerned with Harrison's observation that a girder connection in the northwest section of the garage was in the process of failing. The girder under observation supports about 700 square feet of roof slab. Based upon Degenkolb's field observations, Degenkolb immediately concurred with Harrison's judgment that the connection at the north end of the girder was in an imminent state of failure. Degenkolb based its judgment on the size of a shear crack at the north end of the girder and the apparent downward deflection of the girder in this location. Degenkolb recommended immediate, temporary shoring at the end of the girder which the city provided that same day. The temporary shoring remains in place.

During Degenkolb's subsequent site visit of May 13, 2003 Degenkolb observed the conditions around the parking structure with particular interest in the girders in the northwest section of the garage. Degenkolb observed each of the girders with similar connection details as the girder described above that had been temporarily shored. Another girder was found to have a shear crack in the area of connection that had been epoxy injected at some time in the past. That girder supports another area of roof slab.

Based upon these observations, Degenkolb concluded in its May 16, 2003 report that the condition of the parking garage is continuing to deteriorate, and that the rate of deterioration is greater than in previous years. Although it is difficult to quantify with certainty, Degenkolb believes that the building is approaching the end of its useful, safe life. Degenkolb is losing confidence that the City can continue to maintain the building through a series of reactive mitigation measures and still provide an adequate factor of safety expected for engineered buildings used by the public.⁹

The years of water intrusion into the cracks of the roof slab have caused corrosion and failure of tendons that strengthen the roof slab. Based upon the evidence so far, Degenkolb has no reason to believe that these were isolated incidents; the cracks that allowed water into the slab occur in a uniform distribution across the structure. In two cases, the tendon failure was evident by broken tendons protruding from the slab. In these cases, Degenkolb was quickly able to assess the damage and evaluate the consequence of the lost strength. Remedial measures were promptly identified and taken to address the loss of strength. However, the other tendons that either broken or had lost most of their strength showed no outward evidence of failure. Where there is outward evidence of failure, it is not known when, where, and how many tendons may have broken. The ultimate capacity of the slab may be reduced, resulting in a reduced factor of safety. Yet Degenkolb cannot identify with certainty where the slab has been weakened or when it may have occurred.

The failing connection at the girder is very troublesome because shear failures of this sort can occur suddenly, sometimes without a readily evident warning. To reduce this risk, Degenkolb recommended that the City close the rooftop area from parking in the northwest section to avoid potential overload due to the additional weight of cars. Degenkolb also recommended monitoring of the area to look for signs of impending failure. This might be evident by new shear cracks, widening of existing cracks, or unusual settlement of the roof framing. Should there be any such signs, Degenkolb recommended closure of the parking below in addition to closing of the upper roof deck.

Degenkolb also reviewed the recommendations in the ABR Engineers report and concluded that their recommended repairs would provide a modest improvement and would locally mitigate known and observable deficiencies in the garage. The ABR Engineers recommended repairs will lower stresses at the specific locations, but will not improve performance or increase the factor of safety in areas where the garage may have unobservable, hidden damage, such as broken tendons, nor address the additional risks noted earlier in its report.

Based on the Degenkolb report and the observed conditions in the garage, the City's Building Official determined on June 2, 2003 that it was necessary to restrict vehicular access to the second level of the parking structure. Only the pedestrian stairs, bridges, and walkways were left open as they are required exits for the mall and major stores.

The City and Agency recognize that alleviation of the blighting condition of the unsafe parking structure requires its demolition and replacement with safer and more functional parking facilities.

⁹ Letter from Degenkolb to Barbara Keegan, Assistant Director of Public Works/City Engineer, City of Sunnyvale May 16, 2003.

c. Photographic Documentation

For evidence of physical blight in the Sunnyvale Town Center parking garage, reference should be made to Appendix B, Photographic Documentation, pages B-1 through B-6.

d. Evidence of Remaining Blight Presented in Accordance with the 1975 Community Redevelopment Law Project Eligibility Requirements

The description set forth above provides ample evidence that the parking garage is both badly deteriorated and unsafe. This evidence, which is both substantial and persuasive, is presented in satisfaction of the following provisions of the 1975 Community Redevelopment Law:

Section 33031

A blighted area is characterized by the existence of buildings and structures, used or intended to be used for living, commercial, industrial, or other purposes, or any combination of such uses, which are unfit or unsafe to occupy for such purposes and are conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, and crime because of any one or a combination of the following factors:

Section 33031(a): *Defective design and character of physical construction.*

Section 33031(e): *Age, obsolescence, deterioration, dilapidation, mixed character, or shifting of uses.*

e. Evidence of Remaining Blight Presented in Accordance with Current Community Redevelopment Law Project Eligibility Requirements

The description set forth above provides ample evidence that the parking garage is both badly deteriorated and unsafe. This evidence, which is both substantial and persuasive, is presented in satisfaction of the following provisions of the current Community Redevelopment Law:

Section 33031(a)

Section 33031(a)(1): *Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions can be caused by serious building code violations, dilapidation and deterioration, defective design or physical construction, faulty or inadequate utilities, or other similar factors*

Section 33031(a)(2): *Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots. This condition can be caused by substandard design, inadequate size given present standards and market conditions, lack of parking, or other similar factors.*

4. The Former JCPenney Department Store

a. Evidence of Physical and Economic Blight

This is a relatively large, modern department store of approximately 98,000 square feet that once was the third major anchor of the Sunnyvale Town Center. It has been vacant for several years and has been subject to vandalism. Efforts to re-tenant the building have been unsuccessful. In its current condition, the building provides evidence of economic blight. Such evidence is applicable under both the 1975 and current redevelopment law.

b. Photographic Documentation

Reference should be made to Appendix B, Photographic Documentation, page C-1, for evidence of economic blight in the former JCPenney department store.

c. Evidence of Remaining Blight Presented in Accordance with the 1975 Community Redevelopment Law Project Eligibility Requirements

The description set forth above provides ample evidence that the former JCPenney department store suffers from economic blight. This evidence, which is both substantial and persuasive, is presented in satisfaction of the following provisions of the 1975 Community Redevelopment Law:

Section 33032

A blighted area is characterized by properties which suffer from economic dislocation, deterioration, or disuse because of one or more of the following factors:

Section 33032(a): *An economic dislocation, deterioration, or disuse resulting from faulty planning.*

Section 33032(e): *A prevalence of depreciated values, impaired investments and social and economic maladjustment.*

d. Evidence of Remaining Blight Presented in Accordance with Current Community Redevelopment Law Project Eligibility Requirements

The description set forth above provides ample evidence that the JCPenney department store suffers from economic blight. This evidence, which is both substantial and persuasive, is presented in satisfaction of the following provisions of the current Community Redevelopment Law:

Section 33031(b)

Section 33031(b)(1): *Depreciated or stagnant property values or impaired investments, including, but not necessarily limited to, those properties containing hazardous wastes that require the use of agency authority as specified in Article 12.5 (commencing with Section 33459)*

Section 33031(b)(2): *Abnormally high business vacancies, abnormally low lease rates, high turnover rates, abandoned buildings, or excessive vacant lots within an area developed for urban use and served by utilities.*

5. Other Areas with Adverse Physical and Economic Conditions

a. Introduction

This subsection provides evidence of adverse physical and economic conditions in other commercial uses in the areas still needing redevelopment attention, including the Town and Country Center and several parcels of land along El Camino Real.

b. Town and Country Center

The area known as the Town and Country Center is occupied largely by one-story commercial buildings. These “Western style” buildings feature tile roofs, broad porches, and heavy timber construction. The Center is similar in style and construction type to other centers built in the 1950s and 1960s in Sacramento, Moraga, Palo Alto, and Campbell.

The aging buildings in the Town and Country Center are showing evidence of deferred maintenance and serious deterioration. Observed conditions at several locations include:

- Loose and displaced roofing tiles.
- Indications of past roof leakage including staining of the undersurface of the porch roofs.
- Serious dry rot in rafter ends on porch roofs.
- Significant surface deterioration of exterior of wood trim and structural members.
- Serious and potentially unsafe dry rot in posts and beams supporting porch roofs.

c. El Camino Real

Adverse physical conditions observed in some commercial and residential buildings in the areas still needing redevelopment attention along El Camino Real include:

- Deferred maintenance and deterioration.
- Deteriorated paint surfaces.
- Informal construction.

d. Photographic Documentation

Appendix B, Photographic Documentation, pages D-1 through D-8, provides evidence of adverse conditions in other areas still needing redevelopment attention, including Town and Country Center and parcels along El Camino Real.

e. Evidence of Remaining Blight Presented in Accordance with the 1975 Community Redevelopment Law Project Eligibility Requirements

The description set forth above provides ample evidence that the other areas still needing redevelopment attention suffer from physical and economic blight. This evidence, which is both substantial and persuasive, is presented in satisfaction of the following provisions of the 1975 Law:

Section 33031

A blighted area is characterized by the existence of buildings and structures, used or intended to be used for living, commercial, industrial, or other purposes, or any combination of such uses, which are unfit or unsafe to occupy for such purposes and are conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, and crime because of any one or a combination of the following factors:

Section 33031(a) *Defective design and character of physical construction.*

Section 33031(e) *Age, obsolescence, deterioration, dilapidation, mixed character, or shifting of uses.*

Section 33032

A blighted area is characterized by properties which suffer from economic dislocation, deterioration, or disuse because of one or more of the following factors:

Section 33032(a) *An economic dislocation, deterioration, or disuse resulting from faulty planning.*

Section 33032(e) *A prevalence of depreciated values, impaired investments and social and economic maladjustment.*

f. Evidence of Remaining Blight Presented in Accordance with Current Community Redevelopment Law Project Eligibility Requirements

The description set forth above provides ample evidence that the other areas still needing redevelopment attention suffer from physical and economic blight. This evidence, which is both substantial and persuasive, is presented in satisfaction of the following provisions of the current Community Redevelopment Law:

Section 33031

Section 33031(a)(1) *Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions can be caused by serious building code violations, dilapidation and deterioration, defective design or physical construction, faulty or inadequate utilities, or other similar factors.*

Section 33031(a)(2): *Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots. This condition can be caused by substandard design, inadequate size given present standards and market conditions, lack of parking, or other similar factors.*

I. Extent of Blighting Physical and Economic Conditions

1. Extent of Blight in Areas Still Needing Redevelopment Attention

The summary of blighting physical and economic conditions presented above, along with the photographic documentation presented in Appendix B, clearly demonstrate that blight is not only prevalent but substantial in the areas still needing redevelopment attention. Deferred maintenance, physical deterioration, structures that are unsafe for occupancy, and factors that inhibit proper use of buildings that have led to excessive vacancies all provide strong evidence of blighting physical conditions. These same conditions also provide strong evidence of impaired investments and economic blight. In turn, as the documentation described above demonstrates, vacancies and impaired investments lead to diminished sales tax revenues. When considered in their totality, these conditions place a serious burden on the community.

2. Conclusions Regarding Eligibility and the Need for Continued Redevelopment Attention

Remaining conditions of blight in the areas still needing redevelopment attention are present to a degree sufficient to meet the eligibility requirements of both the California Community Redevelopment Law as it existed in 1975 and as it currently exists. The need for ongoing redevelopment attention in these areas is clearly demonstrated.

III. Amended Redevelopment Program

A. Introduction

This chapter describes the Amended Redevelopment Program, including the programs, activities and expenditures proposed to implement the Amended Sunnyvale Central Core Redevelopment Project. This Redevelopment Program is designed to meet the goals of the Redevelopment Plan and enable the Agency to refine and extend its activities to alleviate remaining blighting conditions in the Project Area, in accordance with the objectives of the CRL.

B. Project Status

The purpose of establishing the Redevelopment Plan was to eliminate blight and stimulate private development of the downtown core area. One of the Agency's original activities was to assist in the development of the 750,000 square foot Sunnyvale Town Center shopping mall, which was opened in 1979. The Agency's assistance included land assembly and disposition and financing of necessary off-site improvements, including a two-story, 500,000 square foot parking structure adjacent to the Mall. The Agency has also undertaken economic development activities throughout the downtown area, particularly focused on Murphy Avenue. Financing of Project Area activities has included tax allocation bonds, certificates of participation secured by revenue from an Agency-owned parking facility, and other City loans.

For various reasons, including the limitation on and roll-back of property tax rates mandated by Proposition 13 soon after adoption of the Redevelopment Plan, tax increment revenue allocated to the Agency was insufficient to pay the annual debt service on the Agency's bond obligations for over twenty years, necessitating an agreement with the City to provide advances to the Agency that would be repaid from future tax increment revenue. While tax increment revenues are now sufficient to meet the Agency's scheduled annual debt service on the bond obligations, the outstanding balance owed to the City has continued to grow as a result of unpaid annual interest being added to the principal owed. In addition to these debts, since FY 1994/95 the Agency has accrued a Housing Fund Deficit rather than make required annual contributions of at least 20 percent of all tax increment revenue to a Low and Moderate Income Housing Set-Aside Fund, in accordance with the CRL. As of the beginning of FY 2004/05, the Agency's outstanding non-housing debt obligations were approximately \$71.5 million and its Housing Fund Deficit was approximately \$5.5 million. (Further detail on the Agency's debt obligations and Housing Fund are provided below in Section D.3 and D.2, respectively.)

The Agency's current annual tax increment revenue of about \$3.4 million is sufficient to pay debt service on the bond obligations and some interest on the City loans, but is insufficient to pay all of the accrued interest on the City loans or to make any current deposits to the Housing Fund. Thus, unless and until the Project Area generates significant growth in assessed value and tax increment revenue, the principal and interest on the City loans and the Housing Fund Deficit will continue to increase. Furthermore, there will be no remaining tax increment revenue for the Agency to pay general administrative costs or to undertake new activities. Any such administrative costs and new activities can only be undertaken with additional monetary advances from the City, the repayment of which will come far in the future, given the Agency's existing obligations and annual tax increment revenue flow.

The lack of uncommitted revenue has limited the Agency's ability to formally initiate any large-scale redevelopment projects or directly fund any redevelopment activities. However, the Project Area continues to need redevelopment attention, particularly the central area surrounding the Town Center Mall. As discussed in further detail in Chapter II, retail activity at the Town Center Mall declined dramatically in the 1990s, and the owners of the mall filed for bankruptcy in 2002. Currently only Macy's and Target, two of the Mall's three anchors, are open for business. All of the retail outlets in the mall have been closed and a significant portion of the original parking structure has been closed due to safety conditions. The bankruptcy court appointed a receiver to operate the Mall while negotiations continued among various parties including creditors, owners, potential buyers, and the City and Agency to implement a redevelopment of the Town Center.

Given the private market's inability to revitalize the Mall, it is likely that redevelopment of the Mall is not feasible without public financial assistance. As a result, the Agency has actively worked to develop a plan for the redevelopment of the Mall. The Agency solicited proposals from Town Center property owners and selected Fourth Quarter Properties XLVIII, LLC as the new master developer to rebuild the Town Center. The Agency negotiated a Disposition, Development and Owner Participation Agreement ("DDOPA") that provides the terms for the redevelopment of the Mall, including the investment of tax increment revenues that will be generated from the new development on the Mall property, as further described in Section D.1 below. The City approved the demolition and replacement of the old Town Center Mall on August 17, 2004 and entered into the DDOPA on December 21, 2004.

C. Goals and Objectives

The goals and objectives for the Redevelopment Program are to:

Goal 1 Meet the Agency's existing financial and administrative obligations.

- Objective 1.1 Make all current debt service payments on Tax Allocation Bonds.
- Objective 1.2 Make all reimbursements to the City of current year City payments on the Town Center parking garage Certificates of Participation, and begin to reduce the principal balance of the 1977 City Loan.
- Objective 1.3 Adequately and timely perform all reporting, accounting, and administrative functions imposed by the CRL and prudent governmental practice.
- Objective 1.4 Continue to encourage and nurture private investment in commercial developments.

Goal 2 Establish the downtown as the cultural, retail, financial and entertainment center of the community, complemented by employment, housing and transit opportunities.

- Objective 2.1 Establish a 24 hour downtown with Class A office buildings around a vibrant retail district with easy parking and public transportation and easy access from a variety of housing types.
- Objective 2.2 Continue public/private partnerships in the development of office, retail, housing, and open space facilities.
- Objective 2.3 Create a unique shopping, dining, and entertainment experience in the downtown, combining new restaurants with small shops, major retail stores, and theatre with easy, available parking and strong pedestrian connections to other parts of the downtown.

Goal 3 Implement specific actions such as the provision of public improvements in an attractive and cohesive physical form, which clearly identifies Sunnyvale's downtown.

- Objective 3.1 Complete priority improvements to civic plaza downtown.
- Objective 3.2 Facilitate the redevelopment of the Town Center Mall to provide for an open-air, pedestrian-oriented, retail and residential development.
- Objective 3.3 Complete priority streetscape projects to facilitate an attractive pedestrian environment and to promote development on adjacent parcels.

Goal 4 Development and implementation of an overall parking strategy that meets the needs of retail, office, housing and visitor demand.

- Objective 4.1 Support an overall parking strategy for downtown that optimizes parking use based on office, retail, and entertainment peaks.
- Objective 4.2 Replace existing parking and pursue funding opportunities for additional public parking as needed to support downtown development.

Goal 5 Increase housing opportunities.

- Objective 5.1 Maintain the character and density of single-family neighborhoods surrounding the downtown.
- Objective 5.2 Encourage mixed housing consisting of market rate and affordable housing in appropriate locations including the proposed Town Center redevelopment, the Town and County area, and transit corridors in or near the downtown.

D. Redevelopment Program

While most of the tax increment revenue available to the Agency is committed to repay existing obligations, the Project Area continues to require public support to achieve the goals of eliminating blight and revitalizing downtown. In 2003, the City Council updated the Downtown Specific Plan (the "Specific Plan"), which sets forth two main goals for the Downtown Commercial Core District: (1) to link the different blocks together into a cohesive downtown core and (2) to create a lively street life on all primary streets. The Specific Plan and the Agency's Five Year Implementation Plan continue to set the context for the downtown area's growth and redevelopment. Therefore, to continue the Project Area revitalization effort, the Agency and the City are currently implementing programs in the manner envisioned in the Specific Plan.

The Agency will undertake projects and activities in the Project Area over the remaining life of the Plan to alleviate blighting conditions and attain the Redevelopment Program goals and objectives listed above. The remainder of this chapter describes the proposed Amended Redevelopment Program, including a summary of the project and activity descriptions, deficiencies to be corrected, and the estimated program costs. To better serve the purposes of redevelopment, these programs and activities may be modified over time. The projects and activities in the Program are described below in three categories:

- Downtown Revitalization and Redevelopment
- Affordable Housing
- Agency Debt Repayment

1. Downtown Revitalization and Redevelopment

Goal 2: Establish the downtown as the cultural, retail, financial and entertainment center of the community, complemented by employment, housing and transit opportunities.

Goal 3: Implement specific actions such as the provision of public improvements in an attractive and cohesive physical form, which clearly identifies Sunnyvale's downtown.

Goal 4: Development and implementation of an overall parking strategy that meets the needs of retail, office, housing and visitor demand.

Town Center Mall Redevelopment

The Agency's revitalization activities will focus on establishing the downtown as a center of activity for the community, beginning with the redesign and rebuilding of the Town Center Mall. The program is expected to attract more people to downtown, reinvigorate commercial and retail uses, generate demand for Project Area properties, provide incentives for existing owners and the private sector to reinvest in underutilized or blighted properties, encourage further development and increase property values.

The Agency recently negotiated a Disposition, Development and Owner Participation Agreement with the new owner/developer for the Town Center Mall to provide a new pedestrian-oriented, mixed-use, open-air mall including affordable housing, replacement and additional parking. The complex agreement involved assembly and exchange of properties among various owners, and the assumption of liabilities and new responsibilities among the parties. In particular, the main elements of the DDOPA include:

- The developer will demolish the Mall, the former J.C. Penney building, and the parking deck along Mathilda, leaving only the Macy's, Target, and parking structure "D" next to Target that was completed in 2002. In accordance with an existing agreement, the Agency will pay the developer for two-thirds of the total cost of demolition of the parking deck, or \$800,000 of the approximate \$1.2 million estimate. The Agency is obligated due to its two-thirds ownership of the existing structure.
- The developer will build, lease and operate a mixed-use, open-air development consisting of 292 residential units, generally situated above retail, 275,000 square feet of office space above retail, and 1 million square feet of commercial retail and entertainment uses, including a 16-screen cinema.
- The developer will build, maintain, repair and replace all parking structures. A minimum of 5,651 parking spaces will be provided, 1,667 of which will be underground. The City, Agency and developer will cooperate to provide lower-interest State-authorized Mello-Roos financing for the public parking structures.
- The developer will build, maintain, repair and replace all public streets in the Town Center Mall area. The developer will also construct all sidewalks within the area and along the adjacent streets, which border the area.
- The developer and the Agency will exchange land of approximately equal area and equal value (4.46 acres). The Agency will obtain ownership of the land under the parking structures and new street grid, guaranteeing public control over these rights of way.
- The developer will construct, maintain, repair and replace Redwood Square, the centrally located plaza surrounding six heritage resource redwood trees. The area is currently designed to include a small café, outdoor seating areas, a performance stage, artwork and potentially a water feature. The square is intended to remain open to the public at all times and made available at no cost to the City for public events up to 15 times per year
- The developer will establish a private security force and traffic control for the project such that the Department of Public Safety will not be required to provide routine patrol.

- In consideration for the above, and in particular for replacing the Agency's Mathilda Avenue parking deck, for placing a substantial amount of the new parking underground, and for constructing, repairing and replacing public streets and other public amenities, the developer will receive annual payments based on the incremental tax revenue generated from the improvements to the Town Center Mall through November 26, 2026¹. The estimated present value of the annual payments to the developer is \$42 million.² The Agency has been informed by its consultant, Keyser Marston, that a project of this proposed complexity and risk, which essentially rebuilds downtown Sunnyvale, is not economically feasible without a contribution of this magnitude by the Agency. In partial return for its contribution, the developer will provide public benefits with an estimated cost of \$32.5 million including relieving the Agency of its share of the parking deck replacement cost (approximately \$10 million), placing 1,442 new parking spaces underground (approximately \$11.5 million) and constructing new streets and sidewalks (approximately \$11 million).³

Circulation Improvements

The reconnected street grid and extensive ground floor commercial uses are designed to meet the Downtown Specific Plan goal of creating an open outdoor shopping district and the proposed housing is expected to spur activity downtown for both night and daytime uses as envisioned in the Specific Plan. The Agency, in collaboration with the City and the owner/developer of the Town Center Mall, will seek to provide needed Project Area infrastructure including:

- Traffic mitigation measures within and surrounding the proposed Town Center Mall redevelopment.
- Enhanced pedestrian connections, public plazas and parks, including a main plaza in the north of Washington area.
- Reestablishment and reconnection of McKinley and Murphy Avenues to allow vehicle and pedestrian traffic through the redesigned Town Center area.
- Miscellaneous street improvements, including special sidewalk paving, lighting fixtures, benches, landscaping, landmarks, gateways and wayfinding system. As funds become available and development progresses these features will be added as part of development and part of the City's ongoing infrastructure replacement program.
- A comprehensive signage program to be augmented as projects begin and needs change.

The new Town Center Mall development is a central piece of the downtown, comprising roughly one third the acreage of the Specific Plan area. Linkage is an important feature of the design particularly to the two most important adjacent areas, the commercial businesses to the north of Washington (including historic Murphy Avenue and Town and Country) and the residential neighborhoods to the south. The developer's plans include pedestrian links, wide sidewalks, kiosks and signage relating to the multi-modal station one block from the site, and neighborhood gateway features. Public improvement requirements of the project also include additional turn lanes, traffic signals, traffic circles, and pedestrian passageways to parking structures.

¹ The estimated annual payments are based on projected tax increment assuming that the present \$118 million limit on tax increment collection in the Plan is increased. An increase in the limit will allow sufficient tax increment over the life of the Project and allow for an Agency contribution that will make the redevelopment of the Town Center Mall economically feasible, as well as yielding additional funds to repay the Agency's existing debt obligations.

² The annual payments to the developer are calculated based on the total incremental tax revenue from the Town Center Mall property up to the first \$4,050,000 in each year above the base fiscal year of 2004, and then 50 percent of the incremental revenue above that amount. Until the Agency has repaid its existing senior debt obligations, payments will not be made from annual tax increment revenue but from funds provided by the City, which the Agency will be obligated to repay in the future.

³ Estimated costs provided in Agency Staff Report to the City Council dated August 17, 2004. See Appendix F.

Parking Improvements

The Agency is undertaking an overall parking strategy to insure that there is adequate parking for the activities envisioned for the downtown. An adequate amount of accessible and affordable public parking is crucial to the success of the downtown retail establishments. In addition, the demolition and replacement of the Town Center Mathilda Avenue parking structure is a priority for the Agency due to its unsafe condition.⁴ Repair costs exceed the value of the structure, resulting in the conclusion it should be demolished and replaced. As noted above, the City is obligated to pay for two-thirds of the total demolition cost. Under the DDOPA, the developer will assume responsibility for the demolition and replacement of the parking structure and will be reimbursed for the Agency's share of the obligation. The proposed new Town Center Mall will provide parking throughout the project with both on-street parking and four large parking garages located at the four corners of the site. The total supply of parking spaces will now be 5,651 spaces, an increase of nearly 2,000 spaces from the existing Mall and an amount in excess of the estimated peak parking demand for the site.⁵

Continuation of Revitalization Efforts

To the extent possible, the Agency will continue to seek opportunities to assist owners and developers of other properties in the Project Area with redevelopment activities that contribute to the elimination of blighting conditions. Areas identified as needing redevelopment attention, such as portions of Mathilda Avenue and the Town and Country shopping area, could benefit from Agency assistance such as commercial rehabilitation assistance, land assembly, upgraded streetscapes and other public improvements.

2. Affordable Housing

Goal 5: Increase housing opportunities.

Housing is also an important component to an economically viable downtown. The objectives of the Plan are to maintain the character and density of single-family neighborhoods surrounding the downtown and to encourage mixed housing consisting of market rate and affordable housing in appropriate locations including the proposed Town Center redevelopment, the Town and Country area, and transit corridors in or near the downtown.

The CRL requires an agency to set aside in a separate Low and Moderate Income Housing Fund (the "Housing Fund") at least 20 percent of all tax increment revenue generated from its project areas.⁶ The Agency became subject to the Housing Fund set aside requirement in 1986, when the CRL was revised to apply the provision to agencies administering pre-1976 redevelopment project areas, such as the Project Area. Through FY 1993/94, the Agency made a finding authorized by the CRL that exempted it from the Housing Fund deposit requirement. Starting in FY 1994/95, this exemption was no longer available. However, the CRL allows the Agency to defer current contributions to its Housing Fund and to accrue a Housing Fund Deficit to the extent that no tax increment revenue remains after it has paid obligations on debts entered into before 1986.

⁴ Closure of the second level of the structure was ordered on June 2, 2003 by the Building Official because of functional obsolescence and deterioration.

⁵ As described in the City of Sunnyvale Planning Commission Report of August 9, 2004.

⁶ The funds must be used for the purpose of increasing, improving and preserving the community's supply of affordable housing. Such housing must be available at affordable housing cost and occupied by households of very low, low or moderate income. (CRL Sections 33334.2 and 33334.3)

As of the beginning of FY 2004/05, the Agency had accumulated a deficit in the Housing Fund of \$5,492,253. Given the Agency's significant pre-1986 debt obligations, as further described in the next section, the Agency is projected to continue to defer deposits to the Housing Fund for a number of years before it is able to become current on its annual 20 per cent set aside payments. The deferred deposits will substantially increase the Housing Fund Deficit that the Agency must repay once sufficient tax increment revenue becomes available. Even if full build-out of the Specific Plan occurs over the next twenty years, the Agency is not projected to be able to eliminate the Housing Fund Deficit before the expiration of the Redevelopment Plan.⁷

Because it does not anticipate making any Housing Fund deposits for a number of years, and because it does not have any other direct sources of funding for affordable housing activities, the Agency does not expect to directly produce any new, rehabilitated, or price-restricted affordable housing units until such funding is available. However, the City and Agency will continue to undertake activities to increase the affordable housing supply including an active affordable housing assistance program, rehabilitation of rental and ownership housing and new construction of family housing. For example, through the Agency's DDOPA agreement, the Town Center developer is obligated to produce 37 new units of affordable Below Market Rate housing among the 292 total residential units it is adding downtown.

3. Agency Debt Repayment

Goal 1: Meet the Agency's existing financial and administrative obligations.

The original purpose of establishing the Redevelopment Plan was to eliminate blight and to stimulate private development of the downtown core area. One of the Agency's original activities was to assist in the development of the Sunnyvale Town Center shopping mall, which was opened in 1979. The Agency's assistance included land assembly and disposition and financing of necessary off-site improvements, including the parking structure adjacent to the Mall. The Agency has also undertaken economic development activities throughout the downtown area, particularly focused on Murphy Avenue. Financing of Project Area activities included tax allocation bonds, certificates of participation secured by revenue from an Agency-owned parking facility, and other City loans.

For various reasons, including the limitation on and roll-back of property tax rates mandated by Proposition 13 soon after adoption of the Redevelopment Plan, tax increment revenue allocated to the Agency was insufficient to pay the annual debt service on the Central Core Tax Allocation Bonds (the "TABs") and parking facility Certificates of Participation (the "COPs"). Consequently, the Agency entered into a Repayment Contract with the City in 1977 (the "1977 City Loan") to repay the City for costs paid on its behalf, plus 8% interest on the unpaid balance. The funds used to repay the City are generated from tax increment revenue, which is now sufficient to meet the Agency's scheduled annual debt service on the TABs and COPs. However, the outstanding balance of the City Loan has continued to grow as a result of unpaid annual interest being added to the principal owed. In addition to the 1977 City Loan, the Agency borrowed additional funds from the City beginning in FY 1993/94 (the "1994 City Loan") and FY 2001/02 (the "Plaza Loan") to fund operating and capital costs that the Agency was unable to pay.

⁷ In that case, the Agency will avail itself of the specific provisions of the CRL that permit the City and the Agency to extend the duration of the Redevelopment Plan and/or the amount of tax increment revenue that can be received under the terms of the Redevelopment Plan to the extent necessary to eliminate any remaining Housing Fund deficit (see Health and Safety Code Sections 33333.4(a) and 33333.6(9)).

As of the beginning of FY 2004/05, the outstanding balances on all of the Agency's debt obligations, including principal and accrued interest, and the Housing Fund Deficit described in Section D.2, total over \$77 million, as shown in Table III-1.

Table III-1
Outstanding Agency Debt Obligations as of June 30, 2004
(Rounded to Nearest \$1000)

	Pre-1986 Debt	Post-1985 Debt	Total Debt
Central Core Tax Allocation Bonds	\$7,894,000		\$7,894,000
Parking Facility Certificates of Participation	\$14,965,000		\$14,965,000
1977 City Loan	\$32,826,000		\$32,826,000
1994 City Loan		\$14,104,000	\$14,104,000
Plaza Loan from City		\$1,787,000	\$1,787,000
Total Non-Housing Debt Obligations	\$55,685,000	\$15,891,000	\$71,576,000
Housing Fund Deficit		\$5,492,000	\$5,492,000
Total Obligations	\$55,685,000	\$21,383,000	\$77,068,000

Source: Sunnyvale Redevelopment Agency

The Agency's current annual tax increment revenue of about \$3.4 million is now sufficient to pay debt service on the TABs and COPs, but is still insufficient to reduce the balance of the City Loans. Furthermore, there is not expected to be any remaining tax increment revenue for the Agency to pay general administrative costs or to undertake new activities unless and until the Project Area generates significantly higher assessed values. Any such administrative costs and new activities can only be undertaken with additional monetary advances from the City, the repayment of which will come far in the future following repayment of the Agency's existing obligations.

As described in Section D.1 above, under the terms of the recently approved DDOPA with the new owner/developer of the Town Center Mall, through FY 2025/26 the Agency is obligated to make annual payments to reimburse the developer for the demolition and replacement of the Agency-owned parking structure and construction of public streets, sidewalks and streetscapes within and surrounding the Mall. However, until such time as the Agency has repaid its outstanding debt obligations to the City, including interest, and has sufficient tax increment revenue to make the annual payments under the DDOPA, the payments to the developer will be made from funds provided by the City. The City assistance to meet the DDOPA obligation will be added to the Agency's outstanding debt obligations to the City and will accrue interest until fully paid.

The timing and annual amount of repayment of existing and added obligations is dependent on changes in the annual tax increment revenue flow. Further detail on tax increment and other revenue sources and the financial feasibility of the Amended Redevelopment Plan is provided in Chapter IV.

E. Relationship Between Proposed Redevelopment Program and Elimination of Blighting Influences

The proposed programs and activities of the Redevelopment Program are designed to alleviate the blighting conditions identified in Chapter II. Table III-2 at the end of this section provides a matrix summarizing the relationship between the blighting conditions and the programs proposed to alleviate them. This chapter describes the specific deficiencies (blighting conditions) that will be alleviated by each activity of the proposed Amended Redevelopment Program. As indicated in Table III-2 and the following text, all of the programs and activities have been designed to meet the CRL requirement that Agency expenditures be linked to the elimination of blighting conditions.

Physical blighting conditions continue to be significant within the Project Area. These conditions include defective design, deterioration and dilapidation of building and structures. Economic blighting conditions, including impaired investments, commercial vacancies and the underutilization of commercial parcels, also continue to inhibit the ability of this area to improve without continuing assistance from the Redevelopment Agency. The economic decline is evident in the underutilization of real estate, the presence of marginal businesses and declining retail sales. In particular, the Town Center Mall experienced significant declines in business resulting in its owner declaring bankruptcy in 2002. The mall is now completely empty except for two department stores. One of the Mall's main parking structures is physically deteriorated and unsafe.

As a key element of the Redevelopment Program, the Agency negotiated the DDOPA with the selected developer to redevelop the Town Center Mall and replace the deteriorated parking deck, as well as to provide for public improvements including new streets, sidewalks and pedestrian links. The proposed Redevelopment Program would foster economic growth, attract more people to the downtown, and develop more retail by reinvigorating commercial uses. New development will add value to tax rolls, encourage further development, generate demand for Project Area properties and increase property values. The proposed program would also provide an incentive for existing owners and the private sector to reinvest in their underutilized and blighted properties.

The provision of adequate and easily accessible parking will assist in the retention and attraction of businesses within the Project Area. The construction and upgrade of necessary public improvements and facilities will provide improved public health, safety and welfare due to better pedestrian and vehicular traffic circulation and access, and enhanced aesthetics through streetscape design and construction. The proposed parking projects will not only meet the demand generated by new development but will also supply needed parking to the area's deficient inventory.

In summary, these public infrastructure improvements will help stimulate reinvestment and growth in the Project Area. The ability of an area to attract new investors and encourage existing property owners to maintain and reinvest in their properties depends on the quality of the public infrastructure and amenities serving the building stock.

The expected benefits of redevelopment projects include:

- Increased commercial rents and retail sales volumes;
- Owner upgrades to existing properties;
- Increased assessed values from new development;
- Renewed interest in the downtown; and
- Enhanced job growth opportunities.

The work envisioned over the remaining life of the Redevelopment Plan is intended to continue programs that have helped create an environment supportive of downtown office and retail development. Through programs that encourage building owners and merchants to rehabilitate and reinvest in their properties, the Agency is directly confronting both the physical and economic blight that still remains.

Due to the Agency's significant outstanding debt obligations, the Agency's primary activity for the remaining Plan period will be to first repay existing debt obligations related to the Agency's Tax Allocation Bonds and Certificates of Participation and the 1977 City Loan. These debts were incurred by the Agency to fund the original public investment in the Town Center Mall, including land assembly and write-down, site preparation, and parking garage construction. The combined public/private effort to develop the Town Center Mall, in turn, eliminated certain blighting conditions in the Project Area identified at the time of adoption of the Redevelopment Plan in 1975. In effect, by continuing to pay debt service costs on the debts incurred in 1977, the Agency is continuing to finance activities that alleviated those original blighting influences and is enabling the City to provide further assistance with the current redevelopment of the Town Center Mall.

The Agency will also continue to address remaining blighting influences in the Project Area through its various planning activities. These activities include the redevelopment of the Town Center Mall into an open-air, pedestrian-oriented mixed-use center for retail, housing, and entertainment, encouraging the redevelopment of the Town and Country area for housing and retail, provision of increased public parking, a downtown plaza, streetscape improvements, pedestrian linkages and land assembly. These activities will help eliminate blighting conditions including: age, obsolescence, deteriorated structures, economic stagnation resulting in high vacancy rates and low retail sales volumes and the lack of adequate public infrastructure, including lack of traffic circulation improvements and off-street parking.

Table III-2 provides a matrix summarizing the relationship between proposed goals, objectives, projects and activities and how they will eliminate blight.

Table III-2
Linkage of Redevelopment Program and Activities with Elimination of Blight

Program Categories and Activities	Deficient & Deteriorated / Physically Obsolete Buildings & Structures	Dislocation & Disuse/Impaired Investments/ Economically Obsolete Buildings & Structures
Downtown Revitalization and Redevelopment		
Town Center Mall project	●	●
Parking structure demolition and replacement	●	●
Traffic mitigation measures		●
Enhanced pedestrian connections		●
Miscellaneous street improvements		●
Assistance to other property owners for future redevelopment or improvements	●	●
Affordable Housing	●	●
Agency Debt Repayment	●	●

Source: City of Sunnyvale, Sunnyvale Redevelopment Agency, Seifel Consulting Inc.

F. Projected Redevelopment Program Expenditures

The Agency has identified \$348 million in estimated costs to implement its Redevelopment Program for the remaining life of the Plan as described above. Due to the fact that most all of the Agency's financial resources are dedicated to repayment of debt obligations, the Agency will seek to leverage other funding sources in order to undertake its programs and activities over the remaining Plan period. It is possible that some program activities proposed by the Agency may not necessarily occur as planned or may not occur at all. It is also possible that other programs not listed in this Plan may instead be pursued.

The projects, activities and expenditures contained in this Redevelopment Program are in part based on certain assumptions made by the Agency relating to revenues, Educational Revenue Augmentation Fund ("ERAF") payments, market conditions, community needs and priorities, and resident and developer interest. Consequently, should Agency assumptions not be realized or unforeseen circumstances arise, further modifications in the Program may be required. The cost estimates are necessarily preliminary in nature and subject to considerable refinement as the Amended Redevelopment Program planning and implementation proceed. However, the cost estimates are adequate to provide a reasonable basis for evaluating the financial feasibility of the Amended Plan and the need for tax increment financing. Table III-3 below summarizes the estimated cost of programs and activities for the proposed Redevelopment Program in future value or nominal dollars.

Table III-3
Estimated Cost of Redevelopment Program
FY 2004/05 through FY 2027/28
(Nominal Dollars; Rounded to Nearest \$100,000)

	Proposed Expenditures ^a
Downtown Revitalization and Redevelopment	
Town Center Mall Annual Payments to Developer	\$78,200,000
Parking Structure Demolition	\$800,000
Miscellaneous streetscape improvements	\$1,600,000
Affordable Housing ^b	\$85,300,000
Agency Debt Repayment ^c	\$182,100,000
Total	\$348,000,000

- a. These listed expenditures do not represent the complete funding needed for each of these projects or a complete list of all potential Agency activities. Because the Agency uses most of its financial resources to repay existing debt obligations, the Agency will seek to leverage its resources with additional funding opportunities including any non-tax increment generated revenue, local, state and federal grants and assistance programs, as well as private sector sources. The City may also choose to advance additional funds on behalf of the Agency for some of these activities or for replacement or additional activities.
- b. The cost of the affordable housing program is inclusive of the 20% Housing Set-Aside obligations for the remaining life of the Amended Plan, as well as the \$5.5 million Housing Fund Deficit accrued through FY 2003/04. Under provisions of the CRL, the Agency may continue to collect tax increment after the time limit in the Plan has expired for the purpose of repaying an outstanding deficit balance in its Low and Moderate Income Housing Fund. Current projections indicate additional tax increment would still need to be collected in order to rder to repay the outstanding deficit to the Housing Fund after the time limit in the Plan expires.
- c. Not all of the Agency's debt obligations may be repaid before the Plan's time limit on tax increment collection in FY 2028/29. Agency debt repayment amount listed is exclusive of Town Center Mall Payments to Developer that are expected to be funded by additional advances from the City.

Source: City of Sunnyvale, Sunnyvale Redevelopment Agency, Seifel Consulting Inc.

IV. Proposed Methods of Financing and Feasibility

A. Introduction

This chapter describes the public and private financing aspects of the Amended Redevelopment Program for the Sunnyvale Central Core Redevelopment Project. It presents estimated funding requirements, identifies potential resources and methods of financing available to the Agency, presents projected tax increment and other revenues, and assesses the general financial feasibility of the Amended Redevelopment Project.

This chapter also explains why tax increment financing is a necessary part of the overall financing program in order to eliminate blighting conditions in the Project Area. Blighting conditions continue to persist in portions of the Project Area, and significant capital investment from both private sector and public sources will be necessary to alleviate them. While the Agency continues to pursue other potential funding sources besides tax increment financing, these other sources alone will not be sufficient to accomplish all of the activities needed to alleviate the blighting conditions identified in the Project Area.

The estimated net cost to the Agency of the Redevelopment Program as described in Chapter III totals approximately \$348 million. These estimates include items to be funded by the Agency after subtracting offsetting funding sources (as described in Section C of this chapter). Other public revenue sources such as Community Development Block Grant (CDBG) funds and the City's General Fund are currently insufficient to cover the cost of the projects and activities proposed by the Agency to alleviate blight and redevelop the Project Area. Although the Agency will continue to partner with the private sector to achieve its redevelopment program, the private sector is also unable to support the full cost of these activities. Thus, a funding gap exists for which no sources of financing (other than tax increment financing) are available or sufficient. Tax increment financing continues to be the most reliable source of long term redevelopment funding available to the Agency and is the only source of financing that will generate sufficient revenue to meet the funding gap.

B. Stimulation of Private Investment

A major goal of the Amended Redevelopment Program is the stimulation of private investment in the Project Area. Public investment in the form of redevelopment funding will be used to leverage private investment.

Private investment in new construction and rehabilitation of commercial buildings within the Project Area is expected to be significant. However, private investment in the area will depend upon the support of funds from the Agency. As a particular example, the Agency has committed to financially assisting the developer of the new Town Center Mall, a project that would not have been feasible without the Agency's assistance.

As described in Chapter III, the projected public investment by the Agency for the Program is approximately \$348 million. The Agency's investment in the Project Area is projected to stimulate over \$1 billion in incremental assessed value from new development.¹

¹ The tax increment table in Appendix E, Table E-4, shows the potential new development projected to be stimulated by the Amended Redevelopment Program.

C. Potential Sources Other than Tax Increment Financing

The Redevelopment Plan authorizes the Agency to finance the proposed Amended Redevelopment Program using all available funding, including local, state and federal sources. Local sources include assessment districts, donations, interest income, agency bonds, loans from private institutions, City sources and other local public entities, as well as the lease and sale of Agency-owned property. The Agency will make every effort to obtain alternative funding sources as a means to accelerate the Amended Redevelopment Program and to minimize the required investment of tax increment revenue.

This Section describes some of the alternative funding sources that might be available to assist in financing the Program and evaluates the likelihood that the source could generate revenues for use in the Project Area. The estimates of alternative revenues provide an initial assessment of funding availability for planning purposes and help determine the need for tax increment revenue to fill the funding gap in Program costs (as discussed in Section H below).

1. Funding by the City of Sunnyvale

The general fiscal condition of the City makes any additional City financial support of redevelopment activities problematic. State and federal governments have continued to reduce funding and transfer the cost of economic revitalization programs to cities and counties. Unfortunately, cities have a limited ability to raise revenues to offset new costs or to replace lost revenue. In addition to the limited ability to fund ongoing essential functions such as police and fire departments, the City is faced with major capital expenditures required to address its growth and the increasing demand on city facilities. As a result, the City General Fund cannot be relied upon as a major source of new funding. Rather, the City can only serve as a financing conduit given its financial situation for revitalization efforts in the Project Area.

The Agency has in the past and must continue to rely on the City to provide funding advances until the Agency can generate revenues to repay its outstanding debt obligations, additional advances and accrued interest. As of June 30, 2004, the Agency owed the City over \$48 million from past advances and accrued interest, and is projected to incur an additional \$98 million in advances to the Agency to fund the Parking Lease Certificates of Participation payments, obligations under the Town Center Mall DDOPA and Agency administration costs. These obligations of the Agency to the City need to be repaid, with interest, through the collection of tax increment financing from the Project. (See Chapter III for a detailed description of the Town Center Mall project and the Agency's debt obligations.)

After fulfilling its debt and pass through payment obligations, and providing its annual 20 percent Housing Set-Aside payments, the Agency is projected to have no tax increment revenues remaining to fund Non-Housing Redevelopment Program activities. On the contrary, projections indicate that the Agency may have an unpaid outstanding debt balance due to the City of approximately \$21 million when the Plan terminates in FY 2028/29. If unpaid, this potential balance due to the City would constitute an additional contribution by the City to the Agency.

2. Developer Requirements

For any new development downtown, the City and Agency may require developers to upgrade streetscapes and signage to new downtown standards, as well as providing other contributions or mitigations towards the improvement of the downtown. In particular, the DDOPA with the new developer of the Town Center Mall includes significant requirements for the provision of parking, streets, streetscape and pedestrian improvements.

3. Other Capital Projects Funds

The Agency's FY 2004/05 budget includes a capital projects fund of approximately \$1.5 million for downtown improvements to sidewalks, lighting, landscaping, landmarks, gateways, signage and facades. These funds were made available from proceeds of the Agency's sale of land to the Mozart development in 2000.

4. Community Development Block Grants

Community Development Block Grants ("CDBG") are available from the U.S. Department of Housing and Urban Development ("HUD") in order to fund activities such as public works facilities and improvements, rehabilitation loans and grants, land acquisition, demolition and relocation for redevelopment, public services and affordable housing, social services and projects for the elderly or handicapped. CDBG funded projects and activities must principally benefit low and moderate income persons or aid in the prevention or elimination of slums or blight.

CDBG funds have provided a limited source of revenue for redevelopment activities in California, with the majority of funds provided for affordable housing and support services. The City of Sunnyvale receives approximately \$1.5 million annually in CDBG funds. Sunnyvale's CDBG funds have been used for the preservation and development of affordable housing and support services for low-income youth, seniors, disabled, homeless, battered women and others in need of food, shelter and specialized assistance. It is unlikely that CDBG funds will be available for any redevelopment program activities besides providing limited financial assistance for affordable housing.

5. Park Dedication In-lieu Fees

Residential developments in the City are required to pay a park dedication in-lieu fee for each new housing unit. These funds may be used for the acquisition or improvement of park property throughout the City including, but not exclusively, in the downtown. Based on current projected residential development activity, City staff indicates that park dedication in-lieu fees may generate over \$1 million annually in funding for park projects, and a portion of these funds may be available for downtown park improvements.

6. Other Grants and Funding Sources

The City and Agency will continue to seek funding opportunities to use in the downtown, including possible grant sources such as the Transportation Fund for Clean Air, Federal Transit Administration and Transportation for Livable Communities. It is unlikely that any of these sources will provide a significant level of funding for redevelopment activities, and these funds need to be directed toward transit and transportation improvements.

D. Other Funding Sources Considered to Be Unlikely or Unavailable

A variety of other funding sources were considered. However, other sources have proved infeasible in the past or do not have potential for generating measurable revenues. As permitted by law, funds can be from local, state, and/or federal government sources, or from private sector sources. If other funding sources prove feasible, the Agency will utilize them whenever possible.

E. Tax Increment Financing: The Primary Source of Funding

The primary source of financing for the Redevelopment Program has been, and will continue to be, tax increment revenue generated by the increase in property values within the redevelopment area. Based on the assumptions outlined in this chapter, the tax increment revenues generated over the remaining life of the Plan are projected to be sufficient to meet most of the remaining Redevelopment Program costs that cannot be financed from other sources. Refer to the tables in Appendix E for a detailed analysis of potential tax increment revenues for the Redevelopment Program.

1. Using Tax Increment Revenue to Eliminate Blighting Conditions

The general purpose of redevelopment is the elimination of blighting conditions. The completion of a redevelopment program results in a project area that is physically enhanced and economically strengthened due to the elimination of blighting conditions.

Chapter II presents evidence of remaining blighting conditions within the Project Area. The Redevelopment Program described in Chapter III is specifically designed to stimulate private investment and alleviate those remaining physical and economic blighting conditions in the Project Area. The use of tax increment revenue is the most appropriate means of providing sufficient funding for the Redevelopment Program.

2. Stabilizing and Enhancing the Property Tax Base

In many communities such as Sunnyvale, redevelopment projects have led to the stabilization or increase of property tax rolls and tax receipts for taxing entities within project areas. As a result of redevelopment, these communities have avoided declining tax revenues due to worsening conditions and erosion of property values. In most redevelopment project areas, the investment of public redevelopment funds to leverage private investment has resulted in substantial increases in property values over time due to rehabilitation, new construction and property appreciation.

3. Establishing the Base Year Assessed Value

The first major step in the implementation of a tax increment financing program is accomplished at the time of redevelopment plan adoption. At the time of adoption, a base year for tax increment purposes is established and the total value of taxable property within a project area's boundaries is determined. The tax roll used is formally called the base year assessment roll, and more commonly referred to as the frozen base or base assessed value. The frozen base establishes a baseline to determine the difference in assessed values between the base value and enhanced values resulting from future redevelopment of a project area. Future property taxes related to increases above the base assessed value is referred to as incremental taxes or tax increment revenues.

The base year for the Existing Project Area is FY 1975/76, as provided in the original Redevelopment Plan. The base assessed value of the Project Area is \$37,147,648.

4. Distribution of Property Taxes During Project Implementation

Following adoption of the Amended Plan, all of the public entities that levy taxes in the Project Area will continue to receive all property tax revenues derived from the relevant frozen base in the Project Area. The taxing entities will also receive a portion of the property tax revenues generated from the increases in assessed value over a future frozen base in Project Area tax revenues, which is determined by the year when an existing fiscal limit is reached. These additional payments are called pass through payments (see Section F.5 for a detailed explanation of the calculation of pass through payments). The pass throughs in the Project Area will be based on a base value in FY 2012/13, which is the first year that the existing fiscal limit on tax increment collection of \$118 million is anticipated to be reached.

Property tax revenues above the frozen base (after payment of obligations) are allocated to the Agency to fund the implementation of the Redevelopment Program. The Agency may pay for the project on an ongoing (“pay as you go”) basis, or it may borrow funds to be repaid by future tax increment revenues.²

5. Distribution of Property Taxes After Project Completion

When a redevelopment project is completed and loans or other indebtedness have been repaid, all property tax revenues flow back to the taxing entities. These taxing entities benefit from increased property tax revenues resulting from a revitalized project area. In many communities, such increases are substantial. In fact, over time, taxing entities can collect sufficient revenues following project completion to recuperate the property tax revenue that was allocated to tax increment funding during the redevelopment implementation period.

This recovery would occur because the increase in assessed valuation after the revitalization of the project area is sufficiently greater than the assessed valuation increases that would occur without redevelopment. Thus, payments to the affected taxing entities in a redevelopment area can exceed the property tax revenue that the taxing entities would expect to receive from a slowly growing assessed valuation roll without redevelopment.

6. Tax Allocation Financing

The Redevelopment Plan allows the Agency to receive tax increment revenues as defined in CRL Section 33670. Therefore, tax allocation bond financing is available to the Agency for purposes of implementing the Redevelopment Program.

² Because the time limit for incurring debt of January 1, 2004 has already passed, the Agency would need to amend the Redevelopment Plan to extend this time limit in order to enter into any new debt obligations. However, the future advances by the City to the Agency projected in this report represent obligations the Agency assumed prior to January 1, 2004.

F. Assumptions Used in Tax Increment Projections

The tax increment projections in this report are intended only as estimates based on the best available information as of June 2005. The projections are derived by a financial forecasting model and are dependent on various assumptions regarding future expectations. Actual tax increments may be higher or lower than those projected in the model. Refer to the tables in Appendix E for detailed analysis of potential tax increment revenues for the Redevelopment Project.

1. Base Year and Current Assessed Value

The base year for the Existing Project Area is FY 1975/76, as provided in the original Redevelopment Plan. The base assessed value of the Project Area is \$37,147,648.

According to the Santa Clara County Controller, the published roll for total assessed value in the Project Area is approximately \$382 million for FY 2004/05 (including secured, unsecured and state-assessed utility property).

2. Present Value Assumptions

The analysis below provides estimates of tax increment revenues in future value (nominal) dollars. The analysis presented in Appendix E also provides estimates in present value (or constant 2005) dollars. The purchasing power of nominal dollars declines due to inflation and/or the cost of borrowing. Therefore, it is important to convert the future annual tax increment revenues to the equivalent value in constant 2005 dollars before making a direct comparison between potential revenues and project costs.

The present value in constant 2005 dollars was calculated by discounting future tax increment revenues by an annual rate of 5.5 percent. This discount rate is considered an approximation of the average cost of funds for the City and the Agency. It accounts for the cost of inflation, as well as the potential cost of borrowing money (e.g., issuing tax allocation bonds), to approximate the present value of future dollars. Most tax increment will be pledged to the repayment of existing debt, and only a small portion of tax increment funds will likely be used on a “pay as you go” basis.

3. Growth Assumptions

Tax increment revenues are projected by applying the effective property tax rate, assumed at one percent, to the estimated increased assessed value over the frozen base. Tax increment revenues are generated from the growth in assessed value above the frozen base. Growth in assessed property values in the Project Area is based on three factors:

- Annual Inflation Rate

The annual inflation rate is assumed at two percent per year for properties that remain in the same ownership. Two percent is the maximum annual increase that is allowed by the California State Constitution as a result of Proposition 13 in the absence of certain events that can cause a reassessment, such as a property sale or construction of improvements. This 2 percent inflation factor is applied to the assessed value of secured property.³

³ Other assumptions about annual inflation are used for unsecured property and the State Board Assessed Roll as shown in Appendix E.

- Reassessment Adjustment
An annual reassessment adjustment represents the changes in assessed value following property reassessment, due to: (1) the transfer (sale) of real property, (2) upgrading of real property improvements due to rehabilitation or additions to existing buildings, or (3) the reassessments of new development to market value once construction is completed. In this case, the reassessment adjustment is assumed to be 2 percent per year.
- New Development
An adjustment for new development is based on estimates of growth that will occur with new construction and redevelopment of properties. Table IV-1 summarizes the anticipated development build out in the Project Area. The estimate of total new development summarized in Table IV-1 is based on projections for two specific sites in the Project Area, Town Center Mall and Town and Country Shopping Center. In addition, general development in the remainder of the Project Area is projected based on 100 percent of the remaining build out identified in the Downtown Specific Plan. (Refer to Appendix E for the projected annual incremental assessed value growth from new development in the Project Area.)

Table IV-1
Projected Growth in Incremental Assessed Value from New Development⁴
Sunnyvale Central Core Redevelopment Project
(In Constant 2005 Dollars)

	Projected Development	Incremental Assessed Value
Town Center Mall	292 residential units 275,000 sq. ft. office 1 million sq. ft. of commercial retail and entertainment uses	\$434,000,000
Town & Country Shopping Center	450 residential units 52,500 commercial sq. ft.	\$252,000,000
Other Project Area Development	730 residential units 230,000 commercial sq. ft.	\$320,000,000
Total		\$1,006,000,000

Source: Sunnyvale Downtown Specific Plan (2003), Menlo Equities

⁴ Town Center Mall projections are based on information provided by the developer. Town & Country projections are based on build out estimates in the Downtown Specific Plan. The remaining Project Area development comprises the remaining build out estimated in the Downtown Specific Plan.

4. Agency Tax Increment Obligations

The Agency must use the tax increment revenues to fulfill the following obligations:

- a. County Fee for Property Tax Administration
Santa Clara County retains fees for the administration of tax increment revenue. The projections in this Report estimate the county administration fee at one percent of gross tax revenue.
- b. Pass Through Payments
The Agency currently makes no pass through payments in the Project Area. However, affected taxing entities will begin to receive statutory pass through payments from the Project the year after the Agency has collected \$118 million in cumulative tax increment revenues. (See further discussion below.)
- c. Additional Payments to Basic Aid Entities
Basic Aid School Entities are school districts that fund operations substantially through locally generated property taxes and receive no state subventions other than the minimum general purpose aid guaranteed by the State's constitution. Basic aid school entities will receive annual payments from the Agency in addition to standard pass through payments from the Project beginning in the year after the Agency has reached the original limit on collection of tax increment revenues. The additional payments to Basic Aid school districts are calculated in accordance with a specific formula in Section 33676.b.3 of the CRL.
- d. Debt Service and OPA Obligations
The Agency has issued tax allocation bond debt and certificates of participation in Agency parking revenues, entered into loan agreements with the City, and most recently a Disposition and Development and Owner Participation Agreement (DDOPA) with a private developer to facilitate redevelopment in downtown Sunnyvale. These current and future debt obligations, as previously described in Chapter III, have been projected throughout their remaining debt obligation terms and deducted from future potential Agency revenues.
- e. Set-aside for Housing Program
Section 33334.2 of the CRL requires that 20 percent of the gross tax increment revenues collected by the Agency be used to increase and/or improve the community's supply of low and moderate income housing. The Agency first became subject to this Housing Fund deposit requirement in 1986, when the CRL was revised to require that agencies administering pre-1976 redevelopment project areas, such as the Project Area, make such deposits.

Through FY 1993/94, the Agency made a finding authorized by the CRL that exempted it from the Housing Fund deposit requirement. After FY 1993/94, as further allowed by the CRL, the Agency has deferred making deposits into its Housing Fund because no tax increment revenue remains after the Agency has paid obligations on debts entered into before 1986 (consisting of the debt on the Tax Allocation Bonds, Certificates of Participation and the amounts owed on the 1977 City Loan).

The Agency does not anticipate having any tax increment revenue remaining after paying its pre-1986 obligations until FY 2013/14. The Agency has already made the CRL-required finding that allows for deferral of Set-Aside deposits for FY 2004/05, and expects to continue to do so, if circumstances remain as projected for many more years.

f. Educational Revenue Augmentation Fund (ERAF) Obligation

Faced with a budget gap for FY 2004/05 and FY 2005/06, the State enacted legislation requiring all redevelopment agencies to contribute specified amounts to the Educational Revenue Augmentation Fund (ERAF) for each of those years. This Report assumes no additional ERAF payments will be required after FY 2005/06.

g. Agency Administration

Non-reimbursable Agency administrative costs in the Project Area are calculated based on the current cost of administering the Sunnyvale Central Core Redevelopment Project (about \$240,000 in FY 2004/05), with annual increases assumed at 3 percent per year. The City is expected to advance funds to the Agency for administrative costs, which the Agency will repay with future tax increments.

5. Calculation of Pass Through Payments

The Project Area was adopted in 1975, prior to the introduction of statutory pass through payments that were mandated by Assembly Bill (AB) 1290 in 1994. Prior to 1994, only taxing entities that had entered into pass through agreements with redevelopment agencies were eligible to receive pass through payments. The Agency has no such negotiated pass through agreements.

Under AB1290, when a redevelopment plan is amended to increase the fiscal limit on tax increment collection, as in the proposed Amended Plan, the Agency must begin to make pass through payments to entities that do not have pre-existing pass through agreements, starting in the year after the existing limitation on tax increment collection would have been reached. The pass through payments follow the three tier, CRL-mandated procedure described below. The mandated pass through payments are calculated based on the difference between the assessed value in the particular year for which the pass through payment is being calculated and the assessed value of the relevant pass through base year.⁵ The incremental assessed value is multiplied by the property tax levy for each entity, times a mandated set of three tiered pass through payment rates. Over the life of a redevelopment project, each entity will receive its proportionate share of three tiers of pass through payments:

- Tier One

The Tier One pass through payments are equal to 20 percent of the gross tax increment received by the Agency from assessed value growth above the Tier One assessed value base (equivalent to 25 percent of the net tax increment after the Agency's 20 percent of the housing set-aside is deducted). The Agency will begin making Tier One payments the year after the Agency has collected \$118 million in cumulative tax increment revenues. Tier One payments will continue throughout the life of the plan.

The City of Sunnyvale can elect to receive the Tier One pass through payment (its proportionate share of 20 percent of the gross tax increment). However, it cannot receive Tier Two or Tier Three pass through payments. This Report to Council assumes that the City of Sunnyvale will elect to receive its share of the pass through payments, although the City has the option to forego these pass through payments.

⁵ The relevant pass through base assessed value year is the year when the original fiscal limit on tax increment collection is reached, as this is the fiscal limit being amended. The second tier payments will begin ten years after the fiscal limit was reached, and the third tier, thirty years after the fiscal limit was reached, which, for this Plan, is beyond the time limit for tax increment collection.

- Tier Two
The Tier Two pass through payments are equal to 16.8 percent of the gross tax increment received by the Agency from assessed value growth above the second tier pass through assessed value base. These annual payments will begin in the eleventh year after the Tier One payments begin. The Tier Two pass throughs are calculated based on the assessed value for the Project Area in the year prior to when the Tier Two pass throughs begin. Tier Two pass through payments are added to Tier One payments, and continue throughout the life of the plan.
- Tier Three
The Plan time limit on tax increment collection will be reached before Tier Three payments would apply.
- Basic Aid
Basic Aid school entities receive additional annual payments that are calculated based on a specific formula in CRL Section 33676.b.3. The additional payments are intended to hold the school districts fiscally harmless from the reapportionment of tax increment revenues under redevelopment. The Sunnyvale Elementary School District and the Fremont Union High School District, which are currently Basic Aid districts, are expected to receive these additional payments beginning when the first tier pass through payments are made.

The City of Sunnyvale Finance Department provided levies for the tax rate areas (TRA) corresponding to the Project Area.⁶ The Project Area is comprised of three tax rate areas with identical property tax distributions. Table IV-2 lists the taxing entities from the Project Area and their corresponding percentage share of property taxes, unadjusted for reductions resulting from ERAF obligations. Accounting for ERAF adjustments, some of these taxing entities will receive a smaller share of property tax distribution than indicated in Table IV-2. The City of Sunnyvale's percent share, net of ERAF, would be 12.7%.

⁶ The tax levies provided represent percent share of gross tax increment unadjusted for State ERAF payments.

Table IV-2
Property Tax Distribution for Tax Rate Areas 09121, 09168 and 09169
Sunnyvale Central Core Redevelopment Project

Taxing Entity	Percent Share^a
City of Sunnyvale General Fund	16.09%
Santa Clara County General Fund	26.83%
Sunnyvale Elementary School District ^b	21.65%
Fremont Union High School District ^b	18.69%
Foothill Community College	7.13%
County Office of Education	3.64%
El Camino Hospital Maintenance	1.98%
Mid-Peninsula Open Space District	1.74%
SCVWD Zone NC-1	1.08%
SCVWD State Water Project	0.60%
Bay Area Air Quality Management District	0.21%
Santa Clara Valley County Water	0.20%
SCVWD Zone W-4	0.15%
	100.000%

^aThe percentage shares of property taxes are unadjusted for ERAF obligations.

^bThese Basic Aid school districts will also receive additional payments from the Agency based on a specified formula in the CRL.

Source: City of Sunnyvale.

G. Tax Increment Projections

Table IV-3 , on the following page, summarizes the total tax increment revenues available to the Agency over the remaining tax increment collection period of the Amended Redevelopment Plan, in nominal or future dollars. For detail on tax increment projections, refer to Appendix E.

1. Tax Increment Available for Affordable Housing Activities

The CRL requires an agency to set-aside in a separate Low and Moderate Income Housing Fund (the “Housing Fund”) at least 20 percent of all tax increment revenue generated from its project areas.⁷ The Agency became subject to the Housing Fund Set-Aside requirement in 1986, when the CRL was revised to apply the Set-Aside requirement to agencies administering pre-1976 redevelopment project areas, such as the Project Area. Through FY 1993/94, the Agency made a finding authorized by the CRL that exempted it from the Housing Fund deposit requirement. Starting in FY 1994/95, this exemption was no longer available. However, the CRL allows the Agency to defer current contributions to its Housing Fund and to accrue a Housing Fund Deficit to the extent that no tax increment revenue remains after it has paid obligations on debts entered into before 1986. The Agency will ultimately reduce the Housing Fund Deficit after all other Agency program-related obligations have been repaid.

⁷ The funds must be used for the purpose of increasing, improving and preserving the community’s supply of affordable housing. Such housing must be available at affordable housing cost and occupied by households of very low, low or moderate income. (CRL Sections 33334.2, 33334.3 and 33334.6)

Table IV-3
Summary of Tax Increment
Through Remaining Life of the Amended Plan
Sunnyvale Amended and Restated Plan

	Nominal Dollars
Incremental Tax Revenues	\$395,400,000
Less: County Property Tax Administration	<u>\$4,000,000</u>
Net Taxes Remitted to Agency	\$391,500,000
Less: Pass-Through Payments to Taxing Entities	\$65,500,000
Less: Debt Obligation ^a	\$261,100,000
Less: State ERAF Payments	\$300,000
Tax Increment for Housing and Non-Housing Projects	\$64,700,000
Less: 20% Set-Aside for Affordable Housing	<u>\$64,700,000</u>
Tax Increment Available for Non-Housing Projects and Administration	\$0

a. Not all of the Agency's debt owed to the City will be paid through the remaining life of the Plan.

Note: Amounts do not precisely match, due to rounding.

Source: Seifel Consulting Inc., Sunnyvale Redevelopment Agency.

As of the beginning of FY 2004/05, the Agency had outstanding pre-1986 debt obligations of more than \$55 million and had accumulated a deficit in the Housing Fund of \$5,492,253. Given the Agency's significant pre-1986 debt obligations, the Agency is projected to continue to defer deposits to the Housing Fund for many years before it is able to become current on its annual Set-Aside obligation. According to current projections, the Agency could begin making Set-Aside deposits in FY 2013/14.

The deferred deposits through FY 2013/14 are projected to increase the Housing Fund Deficit to more than \$20 million. Even if full build-out of the Downtown Specific Plan occurs over the next twenty years, the Agency is not projected to be able to eliminate the Housing Fund Deficit before the expiration of the Redevelopment Plan in FY 2028/29.⁸ As provided by the CRL, the Agency would be allowed to extend tax increment collection until the Housing Deficit is fully paid, which is projected to occur within two additional years.

2. Tax Increment Available for Non-Housing Activities

After fulfilling its debt and pass through payment obligations, and providing its annual 20 percent Housing Set-Aside payments, the Agency is projected to have no tax increment revenues remaining to fund Non-Housing Redevelopment Program activities. On the contrary, projections indicate that the Agency may have an unpaid outstanding debt balance due to the City of approximately \$21 million when the Plan terminates in FY 2028/29.

H. Financial Feasibility of the Amended Redevelopment Program

The increased tax increment revenue resulting from the Amended Plan is a necessary part of the overall financing program to eliminate blighting conditions in the Project Area. Together with other public and private revenue sources, tax increment revenues will be a critical component in helping the City of Sunnyvale meet most of the costs required to implement the Redevelopment Program.

To evaluate the feasibility of the Amended Plan, the following analysis compares the Redevelopment Program's costs to the tax increment revenues and other funding sources.

⁸ In that case, the Agency will avail itself of the specific provisions of the CRL that permit the City and the Agency to extend the duration of the Redevelopment Plan and/or the amount of tax increment revenue that can be received under the terms of the Redevelopment Plan to the extent necessary to eliminate any remaining Housing Fund deficit (CRL Section 33333.8).

Table IV-4
Comparison of Projected Tax Increment Revenues and Funding Requirements
(In Nominal Dollars, Rounded to Nearest \$100,000)

Tax Increment Available for Agency Programs After Obligations	\$64,700,000
Add: Agency Capital Fund for Downtown Improvements	\$1,600,000
Less: Housing Program Funding Requirements	(\$85,300,000)
Less: Non-Housing Program Funding Requirements	(\$80,600,000)
Funding Shortfall	(\$99,600,000)
Add: Additional City Advances for Town Center Mall	\$79,000,000
Housing Set Aside Fund Deficit	(\$20,600,000)
Additional Tax Increment to Repay Housing Deficit ^a	\$20,600,000
Amount Available for Non-Housing Projects and Administration	(\$0)

^aAs provided by the CRL, the Agency would be allowed to extend tax increment collection exclusively to reduce the Housing Deficit until it is fully paid, which is projected to occur within two years after the plan limit on tax increment collection is reached.

Source: Sunnyvale Redevelopment Agency, Seifel Consulting Inc.

The Agency will continue to seek additional funding sources for program activities and take other actions that may improve the financial feasibility of the redevelopment project. Although the estimated project costs and the projected revenues will vary over time from those set forth in Chapters III and IV, the Agency's annual oversight will be directed towards restoring feasibility over the remaining life of the Amended Plan.

I. Reasons Why Tax Increment Financing Is Necessary

This chapter demonstrates the general economic feasibility of the Amended Plan and the reason for including the provision for the division of taxes pursuant to Section 33670 in the Redevelopment Plan, as required by law. As discussed in this chapter, the costs of alleviating documented blighting conditions substantially exceed available funding from public and private sources. Tax increment financing (as outlined in Sections E, F and G of this chapter) is the only source available to the community that can significantly fill the substantial gap between the costs of the Redevelopment Program and other public and private revenue sources.

These projects and activities are critical to the revitalization and conservation of the Project Area. Tax increment financing is needed to assist in funding these projects. Tax increment financing has been and will continue to be the critical source that will help the City of Sunnyvale fund the Sunnyvale Central Core Redevelopment Program.

V. Implementation Plan

Sections 33490 and 33352(c) of the CRL require that a redevelopment agency adopting a redevelopment plan (or plan amendment) prepare and adopt a five year implementation plan for a project area.

On March 8, 2005 the Agency adopted its FY 2004/2005 to FY 2008/09 Implementation Plan for the Central Core Redevelopment Project. A copy of the Implementation Plan is provided in Appendix G and is incorporated into this Report by this reference.

The Plan Amendment does not change the goals, objectives, projects or the program of actions and expenditures described in the existing FY 2004/2005 to FY 2008/2009 Implementation Plan; therefore, the existing Implementation Plan meets this requirement and no further analysis is required in this Report.

VI. Method or Plan for Relocation

The Redevelopment Plan sets forth the Agency's commitment to establish a method and plan for relocation of families and persons to be displaced in connection with any Agency project, and stipulates that all applicable laws pertaining to relocation will be fully complied with in the spirit as well as the letter of the law. The Redevelopment Plan complies with CRL Section 33367(d)(7), requiring that a redevelopment agency have a feasible relocation method or plan if an agency's redevelopment plan may result in the displacement of any occupants of housing in a project area.

Implementation of the Amended Plan will not require the displacement of any persons or families from housing because properties on which persons reside are excluded from the eminent domain authority under the Amended Plan. Thus, the CRL relocation plan requirement for a residential relocation plan is not applicable to the Amended Plan.

The Agency will provide relocation assistance as required by the CRL to businesses that may be displaced, if this were to occur as a result of a future eminent domain action. As stated in the Redevelopment Plan, the Agency will set forth a detailed procedure for relocation prior to approval of any eminent domain action that would trigger a need for relocation.

VII. Analysis of Preliminary Plan

Section 33352(g) of the CRL requires that the report to the legislative body contain an analysis of the preliminary plan. Under the Amended Plan, the Project Area boundaries will remain the same, and there will be no amendment to the Preliminary Plan.

The boundaries of the Project Area, layout of principal streets, population densities and standards are the same as those in the adopted Redevelopment Plan. Also, the general purposes of redevelopment and the impacts on surrounding neighborhoods have not changed since the adoption of the original Redevelopment Plan. Thus, it is not necessary to prepare an Amended Preliminary Plan under the proposed Amended Plan.

VIII. Planning Commission Actions

Pursuant to Section 33352(j), the Planning Commission must make a report and recommendation as to the conformity of a proposed redevelopment plan (or plan amendments) to the General Plan (Government Code 65402). Section 33352(h) and (j) of the CRL requires that a report to the legislative body contain the report and recommendations of the Planning Commission and the report required by Section 65402 of the Government Code. The Planning Commission reviewed the proposed Amended Plan and found it to be in conformance with the City of Sunnyvale General Plan on October 10, 2005.

As described in Chapter I, the Amended Plan will specifically provide that the Plan will be in conformance with the General Plan, as it was amended in June 2003 and as it may be amended in the future. The General Plan land use designations for the downtown were amended as a result of the Downtown Improvement Program process, which has also subsequently resulted in revisions to the Downtown Specific Plan and Zoning Code. On October 6, 2003, the Planning Commission recommended that the City Council adopt the amended Downtown Specific Plan and Zoning Code with minor modifications. The City Council subsequently adopted the Planning Commissions recommendations and amended the Downtown Specific Plan and Zoning Code subsequently on October 14, 2003.

See Appendix H for a copy of the Planning Commission's resolution recommending adoption of the proposed Plan Amendment.

IX. Summary of Public Review of the Plan Amendment

In accordance with applicable CRL requirements, the notice of the City Council and Agency joint public hearing scheduled for October 25, 2005 was sent on September 14, 2005 by first class mail to every property owner and addressee in the Project Area.¹ Notice of the public hearing was published in the Project Area's newspaper of general circulation, The Sun, once a week for four consecutive weeks. Public testimony will be taken at this public hearing, and all of the comments made at the hearing will be part of the record of adoption of the Plan Amendment.

As part of the written notice, property owners and addressees were invited to a community workshop on October 3, 2005, prior to the public hearing. The community workshop was also advertised in The Sun. The purpose of this workshop was to inform the public about the proposed Plan Amendment, gather public comment and answer questions prior to the public hearing. Agency staff will inform the Agency Board and City Council at the public hearing about the topics discussed at the community workshop.

A copy of the notice of the public hearing and community workshop is included in Appendix I of this Report. Summary notes from the October 3, 2005 community workshop are included in Appendix J of this Report.

¹ The Amended Plan does not require the formation of a project area committee (PAC) pursuant to CRL Section 33385.3. As eminent domain will not be authorized for properties on which persons reside, no residents will be affected. Thus, the Amended Plan will not affect low or moderate income persons residing in the Project Area and does not include any activities that will displace low or moderate income persons.

X. Environmental Review

CRL Section 33352(k) requires that the Report address the requirements for environmental review performed on this Amended Plan. The proposed Amended Plan was reviewed for its potential environmental impact as part of the environmental review process for the Downtown Improvement Program.

As part of the Downtown Improvement Program Update, the City prepared a Program Environmental Impact Report (Program EIR) pursuant to the California Environmental Quality Act (CEQA) to consider and analyze the environmental impacts related to the Project, including adoption of amendments to the Redevelopment Plan, Land Use and Transportation Element of the General Plan, the Downtown Specific Plan and the Zoning Code.

The Program EIR was certified by the Council at its June 17, 2003 meeting (Resolution No. 123-03), where the Council found that the Program EIR presented an adequate and extensive assessment of the environmental impacts from the adoption of these amendments, adopted a statement of overriding considerations related to certain impacts on traffic and air quality, and adopted a mitigation monitoring program. An Addendum to the Program EIR was prepared on June 25, 2004. The Addendum found there was no additional requirement for supplemental environmental documentation. The proposed amendments to the Redevelopment Plan are components of and consistent with the amendments analyzed in the Program EIR and Addendum. Therefore, no additional environmental review is required. The proposed amendments will be subject to the Mitigation Monitoring Program outlined in the Program EIR and Addendum and adopted by the City Council.

XI. Report of County Fiscal Officer

Section 33352(l) of the CRL requires that a report to the legislative body contain the county fiscal officer's report required by Section 33328. A revised report of the County Fiscal Officer is not required as part of this Amended Plan process because no changes to the Project Area boundaries are being considered.

XII. Summary of Consultations with Taxing Entities

Section 33328 of the CRL requires that prior to a public hearing on the proposed Amended Plan, the Agency must consult with each taxing entity that levies taxes, or for which taxes are levied, on property in the Project Area. The Agency must consult on the proposed Amended Plan and the allocation of tax increment revenues.

Pursuant to Section 33352(n), records of such consultation or attempts to consult should be maintained and included in the report to the legislative body. If any of the affected taxing entities express written objections or concerns about the proposed Amended Plan as part of these consultations, the Agency must include a response to these concerns.

The Agency approved the transmittal of the Preliminary Report and Draft Redevelopment Plan to the affected taxing entities on May 17, 2005 by Resolution No. 05-007. The Preliminary Report and Draft Redevelopment Plan were transmitted to the taxing entities.

A. Agency Contacts with Affected Taxing Entities

The following taxing entities are affected by the Amended Plan objective to raise the fiscal limit on tax increment collection:

- Santa Clara County
- City of Sunnyvale
- Sunnyvale Elementary Unified School District
- Fremont Union High School District
- Foothill Community College
- County Office of Education
- El Camino Hospital Maintenance
- Mid-Peninsula Open Space District
- Bay Area Quality Management District
- Santa Clara Valley County Water

Each of these taxing entities were sent a copy of the following:

1. Preliminary Report on the Amended Plan
2. Draft Amended and Restated Plan
3. Notice of the Joint Public Hearing on the Amended Plan

In addition to the above written consultation, the Agency consulted or attempted to consult with all of the affected taxing entities in person. The Agency contacted the affected taxing entities by telephone to advise them of the Agency's intentions to amend the Central Core Redevelopment Plan and increase the fiscal limit on tax increment collection. The Sunnyvale and Fremont Union school districts chose to meet with the Agency and City Treasurer on September 20, 2005. A meeting has been scheduled with the County Executive on October 21, 2005. The Agency's consultation efforts are summarized in the log provided in Appendix K including copies of letters and notices sent to affected taxing entities.

B. Responses to Written Objections or Concerns of the Affected Taxing Entities

The Agency has responded to questions and comments during scheduled consultations. However, as of the date that this Report to Council was prepared, the Agency has received no written comments or objections from the affected taxing entities.

XIII. Neighborhood Impact Report

Section 33352(m) of the CRL states that a report to the legislative body must contain a neighborhood impact report if the proposed project area contains low or moderate income housing and if the proposed amendment will affect low and moderate income persons living in the Project Area. As the Amended Plan will not allow eminent domain on properties where persons reside and will have no impact on low and moderate income persons, no neighborhood impact report is required.